NEW ECONOMIC REALITIES: THE ROLE OF WOMEN ENTREPRENEURS

HEARINGS

BEFORE THE

COMMITTEE ON SMALL BUSINESS
HOUSE OF REPRESENTATIVES

ONE HUNDREDTH CONGRESS

SECOND SESSION

WASHINGTON, DC, APRIL 26 AND 27; MAY 10, 11, 17, AND 19, 1988

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NEW ECONOMIC REALITIES: THE ROLE OF WOMEN ENTREPRENEURS

TUESDAY, APRIL 26, 1988

House of Representatives,
Committee on Small Business,
Washington, DC.

The committee met, pursuant to notice, at 10:30 a.m., in room 2359-A, Rayburn House Office Building, Hon. John J. LaFalce (chairman of the committee) presiding.

Present: Chairman LaFalce; Representatives Hatcher, Lancaster, Ireland, Slaughter, and Meyers.

Chairman **LaFalce**. The Small Business Committee will come to order.

It is my pleasure to welcome you this morning to the first of a series of hearings relating to women's business ownership. Issues to be addressed are of the utmost importance, not only to women, but also to the economic wellbeing of our Nation.

Managerial and entrepreneurial skills are unrelated to gender. In the past, however, the opportunity for women to develop and utilize these skills has been limited by centuries of prejudice, discrimination, and exploitation. Nevertheless, the last half century has been a period of extraordinary change.

Women have become major contributors to the Nation's workforce. They are entering fields and professions long dominated by men. They are going into business at an extraordinary rate, at least twice that of their male counterparts. In fact, the Department of Labor estimates that by the year 2000, half of all sole proprietorships in the United States will be owned and controlled by women.

Such progress is welcome, of course, but it is not enough. Since I became chairman of this committee, I have received numerous complaints that the special difficulties faced by women in starting and carrying on their businesses have not yet been eradicated.

In 1980 I initiated hearings to document the difficulties faced by women entrepreneurs and to investigate what the Federal Government could or should do to help them realize their full potential in the economic mainstream. Eight years later, many of those problems continue to persist.

Today's hearings and future hearings we will have will examine some of these problems relating to access to Government contracting opportunities, access to credit, public policies and programs and their effectiveness or lack of effectiveness, the changing nature of the workforce, and the changing nature of the U.S. economy.

Many of the problems are the same that face all emerging businesses. Addressing obstacles that hinder the success of women entrepreneurs will benefit all other entrepreneurs as well.

Let me conclude by stating that we must adopt, as a national priority, the release of the extraordinary and as yet untapped abilities and resources of women. Our Nation needs the wealth that can be generated by the business talent of one-half of our citizens. That wealth represents a national gold mine. We must tap it. The climate is right; the opportunities are present; and women can and should take their rightful place in the economic mainstream as organizers, managers, and employers.

The majority of the witnesses who will participate in these hearings are women representing a broad variety of industries, demographics, business sizes, ethnicity, and expertise. We will also hear from a few men during the closing hearings of this series. As we examine changes and trends in our economy, both male and female experts have been invited to assist us as we consider policies and programs for the future.

I want to welcome today's witnesses who will address the special achievements of women as business owners and the effect these women are having on our changing economy.

Before we call our panelists to the witness table, I wonder if there are any members present today who have any statements they would like to make.

Mr. IRELAND. Mr. Chairman, I would only take a few moments to say once again that your leadership of this committee, and particularly your sensitivity to this area, is exceptional. We are moving in the right direction.

We have an obligation to make sure that we unleash the entrepreneurial spirit in all of our citizens. This is really the backbone of the success of America, and hearings such as this will lead us in that direction. I am glad you have seen fit to bring this about.

Chairman LAFALCE. Thank you very much.

Mr. Lancaster.

Mr. LANCASTER. I would like to commend and thank you for convening these hearings. I look forward to the outstanding panels of witnesses we have here today and to the others in the series. Thank you for the opportunity to participate.

Chairman LAFALCE. I have prepared remarks from Congressmen Silvio Conte and James Bilbray. If there are no objections, I will insert them in the record at this time.

Hearing none, so ordered.

[Mr. Conte's and Mr. Bilbray's statements may be found in the appendix.]

Chairman LAFALCE. I wonder if we could have the witnesses come to the table. We have your name cards at your places.

Ms. Kathryn S. Keeley, Ms. Lillian Lincoln, Ms. Mary Farrar, Ms. Gillian Rudd, and Ms. Polly Bergen. Having introduced you from my left to my right, we will start from right to left.

Ms. Bergen will be our first witness, and I want to say what a pleasure it is to have everyone here. I know the difficulty you had finding time to come before our committee. We look forward to hearing from you. Please proceed.

TESTIMONY OF POLLY BERGEN, CHAIRMAN, THE POLLY BERGEN CO.

Ms. BERGEN. Thank you very much.

Good morning, Mr. Chairman and members of the committee. My name is Polly Bergen, and I am the chairman of the Polly Bergen Co. We manufacture shoes, handbags, belts, jewelry, and other accessories.

I am here to testify on behalf of the National Association of Women Business Owners, because I believe it is terribly important that our contribution be recognized.

Women business owners are boosting the national economy. We are shaping the business community of today, and we are shaping the future workforce.

When I first started in business, I was 10 years old. I had sent away for something called Cloverine Salve. The ad in the magazine had promised if I could sell two gross of Cloverine Salve, I would receive a free nurse's uniform and a stethoscope. Well, not only did I not know what the salve was, I didn't know what two gross were, and, of course, my mom and dad ended up buying most of it, and I got my prize. Years later, of course, I discovered in the basement the Cloverine Salve still in its cartons. I guess they didn't know what it was either.

Years later, in 1965, I started another business—I invested $3,000—which was called Polly's Folly at the time, and I began a small mail order cosmetic company called Oil of the Turtle. Before anyone asks me how you get oil from a turtle, I will tell you, you start with a very low stool.

I knew very little about business, but I figured how could I fail, because I actually wore the stuff. Almost a decade later, having worked 7 days a week, 18 hours a day, traveling all over the world, investing every dime I had earned during my years in show business, I sold the company. We were doing over $5 million a year. It was hard work, and it was painful work, and I made a lot of mistakes. But I learned, and I was very lucky, because I had chosen to be in a business a lot of women had proven successful in—cosmetics, fashion, businesses that were easy or easier for women to be involved in at that day and time.

Today, however, women are in all types of businesses, from heavy manufacturing, to construction, to computers. But of great importance from a national perspective is that many women are in service businesses, and in all the service fields that the United States is beginning to find so very profitable in international markets. The services sector is vitally important to the Nation's economy and women business owners are vitally important to the services sector.

Women business owners have made incredible strides in the last 10 years. We have contributed increasingly to Federal, State, and local tax coffers as we own more and more of the Nation's businesses. It is estimated that women own more than 25 percent of the Nation's businesses today, and this has been achieved in just over a decade.

Therefore, women business owners must be viewed as vital to economic development, and vital to making a positive impact on reducing our deficits, nationally and internationally.

We are not just a social cause. Women business owners have always looked for opportunities, not giveaways or special programs just for women. Women have seized every opportunity available to go into business and to be profitable, and the record shows that we have done it with little assistance from the Government or the corporate sector. The record shows that we have done it with the help of family and friends.

Women business owners create jobs. Small business creates well over 60 percent of all new jobs today. As women own an increasing number of businesses, more than a quarter of businesses in the country, we are providing a growing number of jobs.

I think it is also very important that we strike down some of the myths that surround women-owned businesses. We are not mom and pop enterprises, we are not operated out of a basement or a garage—though I admit I started Oil of the Turtle there, but then again, so did Apple Computer. Women do not start businesses as a hobby, and women rarely inherit their businesses. Millions of women-owned businesses across this country are started from scratch and are built on "sweat equity."

Women business owners have shown that we can do it. From every walk of life, in every type of business, we have done it. We have gained experience in the face of resistance, we have broken into many closed markets, and we have a track record. We are competitive, profitable, ready to do better, and to do it faster.

The Nation's businesses must develop and grow for this Nation to survive economically. We, as women, want to share that responsibility and participate in the opportunities that will shape the future of America in the 21st century.

Thank you.

Chairman LaFalce. Thank you very much, Ms. Bergen.

Chairman LaFalce. Our next witness will be Ms. Gillian Rudd, president of the National Association of Women Business Owners.

Ms. Rudd. Thank you, Mr. Chairman.

I have a prepared statement, and I would like to summarize that. I would like the chairman's permission to add a couple other things to my testimony.

Chairman LaFalce. We will put the entire text of your statement in the record. You may proceed as you desire.

Ms. Rudd. Thank you.

TESTIMONY OF GILLIAN RUDD, PRESIDENT, NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS [NAWBO]

Ms. Rudd. My name is Gillian Rudd. I am a woman business owner in the District of Columbia, and it is with great pride that I come today representing, as president, the National Association of Women Business Owners, which I will refer to as NAWBO from here on in.

NAWBO is a national trade association that represents women entrepreneurs across the country. It was founded in 1974 and has grown to 38 chapters throughout the United States. It is the only national organization that represents the whole spectrum of women business owners. The SBA says that is about 3.7 million sole proprietorships, so we have to guess there are well over 4 million business owners out there throughout the United States. In our own membership we have many corporations, and they are not counted in those figures, so, we are well underestimated.

We are also affiliated with 22 other countries across the world through our international organization, Les Femmes Chefs D'Enterprises Mondiales, Women Entrepreneurs of the World.

We appreciate the opportunity that you, Mr. Chairman, and the committee, are giving women business owners to present our case on the economic impact women business owners have made on the national economy in the past decade and a half, as we have entered business ownership fast and continue to enter business ownership at a rate that far exceeds any other segment of the American business economy.

As I travel nationally and internationally, I have almost daily conversation with women business owners, and I hope that what I say today will reflect what they tell me, and I can convey the depth of feeling they express to me.

There is an enormous amount of pride among women business owners. We know we have made phenomenal achievements in this last decade and those achievements have been made against all odds. But there is an equal amount of frustration and anger at the barriers that continue to impede our business growth.

We know that the witnesses you have called for these hearings will demonstrate what we are doing and what we have done in the last 10 to 15 years and what we can do up to and beyond the year 2000. The stories these witnesses will tell will demonstrate our tremendous present value in the economy.

We estimate, as a conservative estimate, the impact we have on the economy is some $250 billion annually, and that has been achieved with infinitesimal assistance or encouragement from the corporate and private sectors of the economy. Realizing our potential value lies in many ways in your hands, we have some suggestions to help you.

NAWBO strongly feels a need for leadership, tough, visionary leadership in the business community in both the public and in the entrepreneurial sectors. We need to help our businesses to grow to be profitable, to make inroads on the international trade deficit, and make inroads on our own national debt.

We do already contribute a lot to our local, State, and Federal treasuries. The estimate is $37 billion at this point into Federal taxes and $13 billion in local and State.

We do not see ourselves as a special issue or a social issue. We do see ourselves as part of a national economic issue.

As I have said, we have achieved these successes against all odds. NAWBO never has and is not now asking for handouts or set-asides, but we really can no longer step aside. We have more than proved our worth. We have more than paid our dues in these years.

Existing procurement and tax policies are crippling us, are stifling our growth, and are threatening our stability. Women business owners and the full range of entrepreneurs must have access to Government dollars, to technical assistance, and financing. We really believe the country is at an economic crossroads and that all of our taxpayer dollars should be toward incentives to create business growth, job creation, and international trade.

Tomorrow we will release the findings of a major new study on women business ownership that reflects what the State and local governments are doing. The study refers to women business owners as America's hidden resource, and what the report will reveal is basically window dressing, lip service, and a mere five continually funded business owner programs around the country. That is a very unfortunate waste of a very valuable economic resource.

We truly believe that this committee and the SBA should be two of the most exciting places to be in Washington, DC. It should reflect the entrepreneurial community, the growing business community, the emerging business community. That is where the action, the energy, the excitement, the jobs, and the innovation are.

You will notice that I have not used the term "small business." NAWBO has dropped those words from their vocabulary this year. It has tended to be associated with disadvantaged and nongrowth businesses, and that is not what we are about.

I understand you also will be asking Government agencies to outline the programs they have put in place for women business owners in the last decade. I don't expect much of a catalog. I do ask you, when they appear before you, to query if they were a one-shot deal, query the number of dollars spent, and particularly query the results, the number of contracts, the number of dollars that have actually gone to women business owners, and the return on the investment the Government has made.

I also understand that you look at the future, what our demographics are telling us, and where our deficits are leading us. We strongly feel that we need statistics on what our resources are in this country, and we don't have those at the moment.

We need policies that would allow entrepreneurs to grow. That is of most vital concern to NAWBO. We want to plan for our future. This is a planning organization, and we use a quote from Casey Stengel, the baseball legend, very frequently, "If we don't know where we are going, we may end up somewhere else." We are very nervous about ending up somewhere else.

What do we want, as growing American businesses? We want basically a national strategic planning commission for businesses that will bring together the diverse spectrum of interests and expertise. This is what we do in our own businesses. We get together, we plan for the future, we look at the resources we have. We look at our weaknesses and our strengths. That is what we need to do to tackle our situation in the global economy.

What do women business owners want in the short term? The problems we face are no programs, no recognition of economic impact, no organized systems of outreach.

Here are some suggestions that are focused on access, business growth, and stability and economic development. We are not suggesting new programs, but we are suggesting reallocation of resources, a greater private role in the public sector, the development of 3-year model programs, and an emphasis on women-owned businesses across existing programs.

The way that we are suggesting to do this is truly with your help. We need help from the top down. We need help from the White House, from whomever the President is in the next administration. We need it from the Congress, and we need it from each Cabinet head. This is a national economic issue, and we need innovative solutions.

What we are suggesting is a women business owners Federal initiative that will have long-term and broad-range impact. The suggested mechanism to accomplish this would be a women business owner policy council that will consist of key agencies, White House representation, congressional representation, women business owners' groups, and individual women business owners. The policy council would have a good budget and staff to carry out its mandate, and that would coordinate the actions of all Federal agencies and departments, establish program goals, work with the State, city, and local planning agencies and associations, establish, monitor, and report progress to Congress and the President, and define the programs that are needed.

Specific emphasis needs to be placed on capital, procurement, high technology, international trade, technical assistance, and training, and we particularly want to look at the Departments of Defense and Transportation. Each Cabinet officer would establish within their agency a women business owner policy task force, and they would include staff members, and women business owners, and representatives of women business owner groups.

The plan is to develop a 4-year action plan and the accomplishments of the goals that will be built into those plans would be included in the merit increases of Federal employees, so, there would be an incentive for them to work with us.

There would also be a sunset provision in these task forces so that in 4 years, if goals and objectives are reached, it will be dismantled. Each agency would include agency staff and women business owners, and a specific portion of program budgets would be allocated for model programs. Model programs would be funded for 3 years. The task forces would make a yearly report to the President, and Congress would review the initiatives each year with oversight hearings at the end of the 4 years.

The Small Business Administration would concentrate on outreach, directory, building a constituency, newsletters, those types of things.

We want to move quickly. We always move quickly. Within NAWBO we have something called NAWBO time, so, we are impatient to grow and move our businesses along.

We are suggesting two immediate programs, two that the Department of Commerce has in place. The Department of Commerce, in the last 2 years has cosponsored a program called the Mega Marketplace. The main aim of that was to give visibility to women business owners and to break into the procurement process at all levels. We have less than 1 percent of Federal dollars at this point in time. With 25 percent of the businesses or more, that is a rather unequal balance.

We are also suggesting we become a part of the Department of Commerce initiative to export NAWBO, and this is the kind of innovative program we are looking for. We suggest we have a special export program targeted to women business owners—pick a selected number of women business owners and select them carefully. Congress would work to develop their marketing plans with them, and the Import-Export Bank would be the loan part of that.

The businesses' accomplishments and failures could be documented and could become beneficial to all American exports, particularly for growth businesses. We could develop from that a longer term entrepreneurial export growth strategy.

As you can see, NAWBO is deeply concerned about America's prosperity in the future, since we feel we and our children are going to be living there. We feel a false sense of prosperity exists today in the country, that our short-term, "penny wise, pound foolish" approach deeply endangers our future.

We are calling for American business and Government to make a long-term investment in America, and in May we will issue our issue book for the coming year. It will be called, "Framework for the Future II, Investing in America."

We think we must invest in America in the long term. We are asking for a visionary approach that truly looks at issues of competitiveness, quality, design, education, technology, research and development, financing, and taxes. Our Government dollars should be spent now to capitalize our future growth. We desperately feel we need a business mission and vision statement and, with the right people, the right team and the right vision, we can make our future prosperous, and we can resume our place as a proper, active, competitive, first-class, world-class economy.

NAWBO commits itself totally to working with you to achieve that goal.

Thank you.

Chairman LaFalce. Thank you very much.

[Ms. Rudd's statement, with attachments, may be found in the appendix.]

Chairman LaFalce. Our next witness will be Ms. Mary Farrar.

TESTIMONY OF MARY H. FARRAR, PRESIDENT, SYSTEMS ERECTORS, INC.

Ms. Farrar. Good morning. My name is Mary Farrar and my company is Systems Erectors in Kansas City.

Systems Erectors provides labor and equipment to erect structural steel, precast concrete, and preengineered building systems for the low-rise commercial and industrial warehouse markets.

In my company the only employees I have are myself, an office manager who is also my youngest daughter, and the rest of our people are union iron workers and union hoisting engineers.

Also, I just finished my second term as national chairman of my trade association, which is the Independent Erector Division of the Systems Builders Association. I was the only woman who has ever held office in that association.

I know a lot of you are wondering what I am doing in this business to start with, and a lot of days I do, too. I don't have any explanation for how I got to where I am, but I would like to share my story a little bit this morning.

I grew up in a large family. I was the oldest of six children. My father was a conductor for the Santa Fe Railroad, and my mother was a school teacher, but she didn't get her degree until after all my children were able to attend her graduation, so she was a rather late bloomer also.

I got married shortly after high school and had my family, stayed home with my children until 1972, at which time I got a job working for a construction company, because I felt that I needed to supplement our income. We were being faced with college for five kids in the near future.

As I learned and grew in this construction company, the whole construction business fascinated me, and I learned most phases of the management of the company. In about 1978, I made an attempt to buy into the company. When I was denied the right to buy into the company, I left to launch Systems Erectors.

I started the company with obviously no formal training, no business training, no money. I had 6 years of on-the-job training in another company. I had the support of my husband. We talked about it long and hard before I decided to do this, and I had a contract from a general contractor in Kansas City to build three warehouse buildings.

I didn't have a bankable deal at that time, and I think probably would have been laughed right out of the bank if I had gone in and said: "Here I am, I have no experience, I want to start a union erection company, I have got $500, and that is it, guys." So, I didn't even attempt to do that, but the contractor I had this contract with said that I could draw weekly against my contract, which, typically, in a construction contract you bill on the 25th of the month for labor and material that was expended during the month, and you might get your money on the 15th to the 25th of the following month. In a labor-intensive organization you need a lot of capital because your payroll, even in a very small company, is running $15,000, $20,000, $30,000 a week.

So, without the contract that I had allowing me to draw every week, I could not have made my payroll and payroll taxes. I made a little bit of money on that first contract which allowed us to bid more work, and by the end of 1979, which was our first full year in business, we had billings of over $1 million.

Now, 10 years later and millions of dollars in billings and millions of square feet of buildings later, I still have a lot to learn, but I have learned a lot of lessons. I am still struggling for expansion capital. Every time I walk into the bank, it is like I was starting all over again. I generally get the pat on the back. I have done a good job, but they think you are doing all the work you need to be doing right now.

But in 1981, in stark contrast to this kind of attitude, I joined forces with my brother, and we were going to do speculative building, and it was speculative, because in 1981, in Kansas City, there was no construction market. The first bank I went to with this wild idea accepted it, gave us the money, and we built the building. Of course, we couldn't sell the building. We owned the building 6 years later, but that one experience pointed out to me that it helped to have a man for a partner, because it was a much more risky venture than what I was doing with solid contracts in my hand, but it was easier to get the money.

I feel very strongly that banks need to be required to have stated policies about what they loan money on, what they don't loan money on, because it is so easy for a banker to—when you walk in, to look at you and make his judgments not based on what you can do or what you have done, but based on gender, or based on maybe she is not in an area that she should be in, those kinds of things I think we need to change.

Also, if you are denied credit on any particular deal, it should be stated very clearly why you were denied the credit. I think, too often, the bankers get away with passing us off and saying that really doesn't fit our loan portfolio right now, and I would like to see something changed on that. Also, I would like to talk a little bit about my experience with the Federal procurement programs, because Systems Erectors would like to do work with the Federal Government, and I have gone to the seminars that have been held in Kansas City or at surrounding areas. They are often called How To Do Business With The Federal Government, and at these seminars they talk to you a little bit about how to do business, and they give you stacks of paper to fill out. If you fill out these forms, it is my understanding that you are put into some kind of a data bank that is available to all the procurement people in the various agencies.

But in the 10 years that I have been in business, I have never yet received a request for quotation for the type of work I do or in the area I do. Occasionally, I receive one from the Corps of Engineers offering that I could build a dam for them somewhere. But I don't build dams, I don't know anything about it.

So, I would like to know how we can break into that system, because there is a huge, huge marketplace and opportunity for a woman business owner, and I think that if all companies that are qualified to do the various kinds of work that the Federal Government is purchasing, and they want to do that work, if they are not given the opportunity not only might the Government not be getting the best price for their purchases, but the small companies are not getting the advantage or the help that they might need.

Thanks to my association with the Committee of 200, I have learned that most all the women that I talk to, share my frustrations, and just as a note of explanation, the Committee of 200 is a national organization of women business leaders who are risk-takers in their respective industries, but even women with much larger corporations than mine seem to be faced with the same problem of lack of credibility in the marketplace, lack of access to credit, and lack of Federal Government procurement opportunities.

In 1978, in the field that I chose, I was definitely a trail blazer, but now, looking back, I don't see anyone following me, and this concerns me very much. I wonder what is stopping these people from coming behind me. There is nothing special about Mary Farrar. I didn't have any family member to model after, I didn't have any money, I didn't have any education, I didn't have any business training, and I certainly don't have a genius IQ. I ran into lots of roadblocks and barriers, I had a lot of grit and determination, and despite the odds, I have made my company successful.

In conclusion, I would like to say if both the public and the private sector could work toward assisting women who have the drive and entrepreneurial spirit to achieve their goals, our economy would benefit all the more.

Thank you.

Chairman LaFalce. Thank you very much, Ms. Farrar.

[Ms. Farrar's statement may be found in the appendix.]

Chairman LaFalce. We have been joined by the Congresswoman from the State of Kansas, Representative Jan Meyers, who was the star of yesterday's Profiles in Congress on CNN News, and also Congressman French Slaughter.

Our next witness will be Ms. Lillian Lincoln. Ms. Lincoln.

TESTIMONY OF LILLIAN H. LINCOLN, OWNER, CENTENNIAL ONE, INC.

Ms. Lincoln. Good morning, Mr. Chairman, and members of the committee.

My name is Lillian Lincoln. I am president and founder of Centennial One, a building maintenance service company located in Lanham, MD. My company currently grosses more than $8 million in sales, and we employ in excess of 800 people.

As I testify today, I am strongly reminded of the climate in 1976, the year I entered the entrepreneurial arena. There was talk at that time of much support and encouragement to women and minorities to start their own businesses, take the associated risk, and actively compete on the open market. The political environment was supportive, and I received lots of backup from friends, business associates, and family.

In December 1975, I started my company. I invested $4,000 of my own money, and I employed a few people and decided to go after Government work. I decided that I would apply for approval under the 8(a) program, but my initial application was turned down, because the Small Business Administration stated they couldn't provide enough contracts to support my business. Well, I assured them that I did not really need them to provide me with the contracts. As long as I had the approval, I would market Government agencies and secure the contracts on my own.

So, undaunted, I reapplied, provided the SBA with names, addresses, and telephone numbers of agencies to whom I had already spoken and who had agreed to set aside contracts for my company. In October 1976, Centennial One was awarded its first 8(a) contract from the Department of Agriculture in Beltsville, MD. That contract was for $150,000 and required the employment of about 20 part-time people.

As my company grew over the next few years, I continued to do my own marketing while controlling the growth of my company. We won more Government jobs while adding a small core of private clients. In addition, my 8(a) base continued to grow until the ratio was 70 percent public sector and 30 percent private.

In order for my company to continue to grow, I realized that I needed greater access to capital. I did not turn to the Small Business Administration, because I had established a rather unique relationship with a local bank president who had previously been my personal banker and who really believed in me. I have no doubt that it was because of this relationship that I experienced no real difficulty in acquiring credit. So, in 1976, with my accounts receivable as collateral, I was granted a $12,000 line of credit from this bank.

Today, the company now has more than half a million dollars line of credit, and we have unlimited bonding capacity. I am aware that my personal story is somewhat unusual when it comes to credit, but for many women access to capital is a major obstacle.

In 1982, I was given a fixed number of years to remain on the 8(a) program under the new guidelines. I asked for, but was denied, a 1-year extension. So, in 1985, I was abruptly dropped from the program. At the time of my "graduation," which I determine is a misnomer, I had about $5 million in 8(a) contracts and $2 million in private-sector contracts. Clearly my business was in danger of not surviving the graduation.

Between January and March 1986, Centennial lost $5 million in sales, and the company could have gone bankrupt had I not had in place a strong marketing program which had been implemented a few years earlier. Others with less foresight have seen their companies collapse upon graduation from the 8(a) program, or have had to merge with other companies, or sell equity positions. Clearly, there is definitely a need to improve the procedure for supporting the companies during this critical transition period.

Many women and minority-owned businesses are unable to persevere through such financial hardship, which makes Government contracting an extremely difficult market in which to build and grow your business. My company pulled through, prevailed, and through aggressive marketing it reversed its client base to its current level, 90 percent private-sector contracts and 10 percent public-sector.

It was when I first hired my first salesman, a young aggressive white male, I was confronted with the realities of sex and race discrimination in the marketplace. Previously, clients had been rather subtle in dealing directly with me, but it was through this young man that it became obvious that people were frequently dubious about doing business with a female, particularly a black female. I have been blessed over the last 12 years, and, with hard work, I have built a fine track record. I am now taken seriously, but it has not always been that way. Credibility continues to be an issue with women in business.

Clients, suppliers, and financial bankers are slow to believe in a business plan if it is submitted by a woman. She still has to prove herself, and she is put to a much more difficult test than her male counterpart. I have good credentials, I hold a bachelor's degree from Howard University in Business Administration, and I was the first black female to receive an MBA from the Harvard Graduate School of Business in 1969. In 1981, I was selected as small business person of the year for the State of Maryland, an award which I truly value.

In closing, Mr. Chairman, and members of the committee, I would like to thank you for allowing me to testify today, and I hope that my story will help support legislation to assure adequate and fair credit for women and open up avenues of increased procurement for female entrepreneurs. I particularly would urge you to do all that you can to make the odds better for successful women-owned business.

Thank you very much.

Chairman LAFALCE. Thank you very much, Ms. Lincoln.

[Ms. Lincoln's statement may be found in the appendix.]

Chairman LAFALCE. Our next witness will be Ms. Kathryn Keeley from the State of Minnesota.

TESTIMONY OF KATHRYN KEELEY, PRESIDENT, WOMEN'S ECONOMIC DEVELOPMENT CORPORATION [WEDCO]

Ms. KEELEY. Thank you, Mr. Chairman, and members of the committee. My name is Kathryn Keeley, I am president and cofounder of the Women's Economic Development Corporation, which is a private, nonprofit Minnesota corporation that assists women to start and operate their own businesses.

We have been in existence for 4½ years, and in that time we have seen over 3,500 women who want to start a business. We have started 650 businesses, expanded another 350, and assisted some 400 that were in trouble. Over that time we account for some 2,000 new jobs created within the State of Minnesota and with 65 percent of those being what you call self employed, they are creating a job for themselves and one other person, 32 percent being small businesses, and 3 percent being the potential multimillion-dollar companies.

Our organization targets unemployed and underemployed women who need to create a job for themselves to support themselves and their families. We have a specific focus which we have gotten national recognition for women on AFDC. The program was recently spotlighted on a 60-Minutes segment 6 weeks ago for work we have done with AFDC recipients.

A major part of our program is financing. We have administered a loan fund with which we fund women-owned businesses. Our loans range from $300 up to $125,000 with an average of about $12,000. We just did our smallest, which was $31.58, but that is typical for us. When we do financing, we believe an owner should be at risk for their business, but we use creative lateral. We take kids' bikes, couches, all the intangibles, the bankers say, that are in the business. The most creative business we did was a florist, where we did a 5-day note on the roses and took the roses as collateral, which we could have sold, because roses had a life history of 10 days. We did it on Valentines Day. That owner sold $3,000 worth of roses, she had $2,500 to collateralize her business, and she was in operation.

We are known for being very creative and coming up with financing schemes that will work. Out of our $1.2 million, we have $800,000 loaned out at any one time, and we have only lost $21,000 in 3½ years. We have a loss rate most bankers envy. We are hard nosed business women in what we do. We want to be repaid, and we do serious business plans. Half the women who come to us, we talk out of the business. They would be potential failures.

We just did a 3-year followup on the businesses we started, and 92 percent are still in business functioning and doing well. I want to focus on capital, because that is the area we work in most. Since our 60-Minutes segment, we are getting 500 women a day calling our office. Half want to borrow money from us. We have heard from every State in the Union. We have had women call—one call from California, there were 45 women in the room wanting to borrow money. Some had ideas where they needed $700, some needed $10,000, but they all wanted to support families and had nowhere to go.

We tried to send them to the SBA, and, unfortunately, they tell them to go take classes. Classes do not create capital. Women face four barriers we see. One of them you heard today, about how we are stereotyped over and over. Women are seen as starting soft businesses. They are not taken seriously as business owners, and we see this all the time.

Second, we don't have the personal assets often when we start the business. I am reminded only 6 percent of the women in this country earn more than $25,000 a year. That means we are not accumulating a lot of cash.

Second, I saw some testimony last week from Frank Swain from the SBA, and he says businesses start from family and friends. You better have the right family and friends. It is other women like us, who again are in that 80 to 90 percent who earn less than $25,000 a year, and we don't have a lot of cash to spare for each other.

Third, is equity money, something that is harder to get if you want to expand. It is the investment dollars with a higher return, and it is a network that exists that women are not part of.

Finally, the whole issue of women expanding their businesses and getting access to different kinds of markets. Again, Lillian talked about that and the need. When you have new markets, that is what produces capital and interests investors. I think our organization has worked actively, and we have stayed private funded over the years, because no one has taken us seriously in Government.

We have a list of 100 places that want to replicate us around the country. We have contracts in five States to go in, but, again, it is private funding because the Government sees what we are doing as sort of soft or too fuzzy for them to understand. We have a track record now that we can explain and articulate, and we want to participate very much as we restructure this economy.

We believe women are leaders, and we want to roll up our sleeves and do it together. You made a comment about creating wealth in this country. Frankly, women want to create wealth, but we would like to share some so we can create it together.

[Ms. Keeley's statement may be found in the appendix.]

Chairman LaFalce. Thank you very much.

Now I will go to the question and answer period. I will ask just a few questions, myself.

Just so I have a better understanding about WEDCO, how is it financed?

Ms. Keeley. We have a $6,000 operating budget that comes from corporations such as General Mills, Pillsbury, Northwest Foundation, it is all private money. They are grants. We are a tax-exempt organization. We only work with women in Minnesota.

Chairman LaFalce. Most of your contributors come from——

Ms. **Keeley**. All of them, except the Ford Foundation would be the only national funding we have. Thirty-five percent of my budget we do earned income; we do on consulting around the country. We get paid for speeches and charge States to explain what we do.

I raised $600,000 a year. The loan fund is primarily from Ford Foundation.

Chairman **LaFalce**. I see. Are there any other corporations such as yours in the United States?

Ms. **Keeley**. There are probably three in the United States.

Chairman **LaFalce**. Who?

Ms. **Keeley**. In West Virginia there is a group called Women Employed, a group in new York City called AWED, and in Chicago there is the Women's Self Employment Project. There are five other groups, one in Des Moines, IA; Missoula, MT; San Francisco, CA; the Range in Minnesota; and Milwaukee, WI, that are trying to start up. But none of them has loan money.

I am being corrected back here. We are the only one in the country to have actual dollars to loan out.

Chairman **LaFalce**. Are any of these organizations funded by Government?

Ms. **Keeley**. Not that I know of. The Chicago project may have some Government money. AWED has some Government money.

Chairman **LaFalce**. Ms. Rudd, one of the things you called for was the creation of a women business owner's policy council. Right now isn't there an interagency task force on women's enterprise, and isn't this just a new name for an interagency task force?

Ms. **Rudd**. There is existing an interagency task force. I have never been contacted by them. I think one of the major problems with it is that business owners are not included in the deliberations, and we need to get that kind of input into a policy. It is a little difficult for a group to design a program if they don't have the input for designing the programs.

Chairman **LaFalce**. Do you know if there is any interfacing between this existing interagency task force on women's enterprise and any women's organizations within the private sector?

Ms. **Rudd**. I do not know enough about that interagency task force. I do not know of that. We are the major women business owner group. I don't know if they have interacted with the Committee of 200 which is the other major group.

Ms. **Farrar**. No.

Chairman **LaFalce**. Well, on the one hand, I would argue it is the responsibility of the interagency task force to reach out to the private sector to include them within their deliberations, that is if I were appearing before them, or I had them before me. On the other hand, I would argue to private organizations, if there is awareness of a task force not reaching out to them, maybe the private organizations should be reaching out to the governmental task force. In other words, I am suggesting there is a mutual responsibility and perhaps neither side has fulfilled the responsibility of reaching out to the other.

Ms. **Rudd**. There was a report that came out from the interagency task force, and we asked for the report over a long series of months, and I think we finally got a report about, I got one anyway, about a month or so ago. But that was after a longer period of deliberations.

Chairman LAFALCE. Well, I think it is fair to say this interagency task force, if anything, could be labeled rather dormant over the past several years——

Ms. RUDD. Totally asleep.

Chairman LAFALCE. That may be accurate. We intend to pursue that at future hearings.

Is this women's business ownership policy council to include representatives from both the public and private sector?

Ms. RUDD. Yes; definitely. Our real strong push is to get the private sector within the deliberations of any program that is designed.

Chairman LAFALCE. If we were to reach out to the private sector, who would we reach out to? Clearly, I would imagine you would suggest your organization.

Ms. RUDD. I would.

Chairman LAFALCE. Would there be other organizations that could be deemed representative of women that would be included in such a council involving both Government and public and private sector?

Ms. RUDD. Yes; I am sure the Committee of 200 might want to be involved, groups like WEDCO. There are minority associations that also would like to be involved, I am sure.

Chairman LAFALCE. Do we have a list of the major organizations within the United States in some way representing or purporting to represent women business owners that could be included?

Ms. RUDD. We probably have the best list in the Department of Commerce. We do those kinds of lists together for the Mega Marketplace, both to contact them, and we have very poor, I would say, individual lists.

Chairman LAFALCE. Should any further focus we have—or the present interagency task force, or some other business council, women's business council—be exclusively for business owners or for women in business as distinguished from women business owners?

Ms. RUDD. I think it needs to be on women business owners. It is the ownership that brings special talents, problems and energies. The owners are the day-to-day runners and take the risk of the business, raise the capital of the business, and stand behind their capital, and it is the owners who should be included.

Chairman LAFALCE. Some suggest that perhaps there is a need or concern for not just business owners but women in business and the special problems that they might have. So, I understand the distinction, and I understand where you are coming from. In a certain sense, not that it differs from something else in your statement, but you did emphasize what I refer to as mainstreaming, although I don't think you used that word. You didn't call for certain new activities designed exclusively for women. I think you were asking for greater emphasis on women-owned business, within existing activities. Is this true?

Ms. RUDD. We are taking, I think, a budget conscious approach. There is enough money there, if it is used correctly, and our problem is access. We can't get into Government systems or financial systems. So, what we are asking for is a good deal of commitment, and the things that we suggested, like merit increases when Federal employees do something that achieves women business owner goals, those are the things that we are looking toward.

Chairman **LaFalce**. All right. Now you say that you can't get into certain types of activities, which is different from governmental agencies or individuals not reaching out to women. In that connection, you also stated in your testimony that existing policies relating to procurement, credit, and tax are crippling women-owned businesses.

But there was no explanation or expansion of that statement. Do you or do any of you have any information that you could share which would back up the claim that existing policies of the Government relating to procurement, credit, or taxes are crippling women or hindering women?

Ms. **Rudd**. We can draw those together for you. We have internally within NAWBO done credit surveys of our own business members. There are very few statistics within the Federal Government, and that is really our large problem. The Department of Commerce supplies us with a less than 1-percent figure on procurement, for instance.

We don't know what our resources are in the women business owner community. We really need those statistics as well as the whole entrepreneurial sector looked at. One of the things NAWBO has been particularly active on is getting the SIC codes changed and expanded to fit the kind of economy we have now. What we are really looking for is a sense of economic direction in the country, and we need statistics on us and every entrepreneurial entity in the country to see what we have and where we are going.

Chairman **LaFalce**. Fine. Mr. Ireland.

Mr. **Ireland**. Thank you, Mr. Chairman.

I have to say, I like what you say, from beginning to end. It isn't just the women's part of it that gets me excited, it is certainly the entrepreneurial part as well.

There is a book on the best seller list by Dr. Paul Kennedy of Yale that has gotten a lot of comment because the title of it is, "The Rise and Decline of Great Powers," and all of the commentary seems to be focused on, "Are we declining, are we following what other countries have done in the last 500 years?" Central to that discussion, except for one prominent comment in the Harvard Business Review, but absent across the spectrum of commentators, is the fact Dr. Kennedy points out in his introduction that throughout the book a central part of his thesis is that no country in history has risen to the top without being both pluralistic, and entrepreneurial, and active in commerce and the free market; in addition to that, he points out that no country, in getting to the top of the heap, has declined without a prominent segment of that decline being the closing down of entrepreneurial activity by bureaucratic Government.

I am struck in all of the testimony here by how, for the most part or almost entirely, the problems you have ticked off and alluded to are somewhat the same.

I see similar problems in procurement. The procurement activity of the Federal Government is bureaucratic in the extreme and is, by and large, a product of people who have never had to be in business and never had to face the kinds of things you and other small business people are facing.

The problems of banks—here, again, I spent 25 years in the banking business, and I like to think I did a lot of the kinds of lending we heard about from Kathryn. But the mentality in America is brought about by the fact you are looking to bankers for capital. In the early 1930's, this Government, because of the Depression, took commercial banks out of the capital formation business. They can't invest in your business, or they could go to jail. We have a Government-sponsored market imperfection as far as our banks providing capital, and yet nobody is addressing it.

The Government and our OMB in particular now say efforts to solve that by having Government-sponsored entities much like what Kathryn has said—they said those are Government-sponsored entities and therefore, are not a proper use of tax money. Yet from Fannie Mae on, we have those kinds of things, and I think it is high time we did a better job of providing capital by a Government-sponsored entity that could do it.

It is certainly cheaper than the billions and billions of sorry loans that we have in our SBA portfolio that have gone to less than 1 percent of small business in America, which makes the amount of what women have gotten pale by comparison.

So, having said that, and with my enthusiasm for what you are talking about and the economic denominator here, I really think there are special barriers in the women's world that we need to address. As I said at the outset, I am pleased that the chairman has focused on this area. It needs to be focused on.

Ms. Rudd, you have seen what we have done with Government trying to get into this kind of business. I think your explanation that you are dropping "small," because in a sense Government efforts are to no growth and are to disadvantaged—there is some need for that, no mistake about it, but that isn't what you are talking about, so you dropped the "small." You want to be something different.

My real concern is, this independence and this need, if you are going to call—as some of these things that you listed should be done—if you are going to call on this Government to do it and realize what a miserable track record the bureaucracy has of really helping people without taking away their ability to succeed, how are you going to reconcile those?

Ms. Rudd. The women's policy task force we are asking for is a planning committee, and I don't mean long-term planning. We don't like to plan for long times. We can do strategic planning, that is, to put in place some programs.

We would like all of the sectors to work together, but we really want this to be a private sector driven front so that we can—it is true about the capital area; there must be another way. We have to come up with other solutions to the kind of bureaucratic layers, and layers, and layers that we have now. There has to be another way to get the Government dollar out through the contracting system.

We will come in with some recommendations on procurement and credit. We don't have them today, but we will come in with them by the end of the hearings.

We first suggested a business strategy planning task force. That was the overriding thing. We want to be a part of that, and I think women business owners can be the kind of wedge that goes in to do it. We are the entrepreneurial wedge and the fastest growing wedge. So, we want to plan now a different kind of activity for the Government to do, I would say, working with business, things like Kathy Keeley's program. Why can't we put some money into ventures like that? They work.

You have to have the right people, the right money, the right places, and we have the commitment to do that. I know from working in Mega Marketplace that Government people also have the commitment to do it. But in the meantime they are strangled by their own regulations.

So, I think in a sense we have to carve out some model programming so that we can say, "This works, and we can do this."

Mr. IRELAND. Thank you.

Chairman LAFALCE. Mr. Lancaster.

Mr. LANCASTER. First of all, I want to tell you how inspired and impressed I have been by your articulate testimony. Each of the witnesses was excellent, and I am convinced that you have given us the basis for questions of the witnesses who will appear on subsequent panels.

I really don't have questions for you, but you certainly have given me questions to ask for of the institutions, private and public, that have thrown roadblocks in your progress. I thank you for providing us that.

I would just conclude by telling Ms. Bergen that her first experience in business was very similar to mine, except I sold Rosebud Salve instead of Cloverine. I grew up on a farm, and so, I was used to hard work, but never business endeavor until I started on my Rosebud Salve business venture. My first compensation was a red cutglass ring that promptly turned my finger green. But your testimony certainly brought back those memories of that first effort to sell something door-to-door in a rural community.

I do thank each of you for coming and for giving us the ammunition we are going to need as these hearings continue.

Thank you.

Chairman LAFALCE. Thank you.

Ms. Meyers.

Ms. MEYERS. Thank you, Mr. Chairman.

Mary, it is nice to see you again, and I am glad to hear your testimony and the testimony of all the women.

I glanced through the testimony from Ms. Bergen and Gillian Rudd. I was interested in hearing your comments, Ms. Bergen, about the fact that women-owned businesses are not just a social program, that they are contributing enormously to the economy, and when they contribute to the economy they also contribute to Government and help us with our deficit problems, and so, it is something that we should definitely be encouraging.

I guess my question is—and I think Gillian's testimony partially answered it—specifically, at this time, what can the Government do?

I know you have suggested the Cabinet policy council, and I think that sounds like it would coordinate agency efforts here in Washington and maybe be able to cut through the bureaucracy a little bit more.

Specifically, is there anything that the Government should be doing now, can do now, before this policy council is instituted? I think I heard Mary and maybe Lillian saying that it was hard to be aware of what Government programs were there, and that they were not always notified and aware.

Maybe, Mary, you can address this, or Gillian.

Ms. **Rudd**. There could be a very swift outreach to women business owners throughout the country in terms of knowing who they are and collecting data on them, who are the women, what are their businesses, where can they fit in.

We started that process within the Mega Marketplace system—there is a bank—beginning in the Department of Commerce, and we produced from that a directory.

The most wonderful thing in the world would be to have a nationwide women business owners directory that could be given to Government contractors and to corporate buyers, and that is the hook between the two. That will be very close.

The other programs, it depends how swiftly Congress can move. We need the equal access to credit moved so that the banks will report on why we are not getting loans. It is obviously a big problem for everybody across the table who just testified.

I think maybe those would be major things. We can move on the export program, which Secretary Verity is moving very fast on. If we could institute that program swiftly, we could put a model program in place. It has all the ingredients: A financing arm, if we can get Export-Import to do that; technical assistance arms; a little microcosm of what American businesses can do to help solve the trade problem. So, that would be a tremendous thing to do, and it would be beneficial for the long run, I think, for the entrepreneurial community throughout the United States.

Ms. **Meyers**. Mary, do you have any comments on that?

Ms. **Farrar**. The only thing I think about, because I brought up the procurement program—supposedly it is there, but I am just asking why in my case it has not worked. I don't know where to go to get that answer, and that is why I brought it here with me today.

Ms. **Meyers**. I am glad you are here, and maybe I can work with you on that.

I am very pleased that you are in my district. Thank you for being here.

Kathryn.

Ms. **Keeley**. I was going to comment on the financing end.

We travel across the country, doing our speeches. The hardest money to raise is money for loan pools such as we administer. The private sector has a difficult time doing that, and they say the SBA does that.

I would like the SBA to stand up and say what they really do and don't do. That is the first step, which would be fairly sensible, so we can stop passing it off.

The second issue is the Government may have to be the leveraging partner that says, OK, if you raise *x* amount of money, we will put this in a loan pool, and challenge communities to do some things in terms of financing.

Ms. **Meyers**. Ms. Keeley, I think it would be best to address this to you. Could you answer, how might this committee be helpful in promoting the establishment of other groups like yours throughout the country?

Ms. **Keeley**. Well, you could help fundraising in your local district. The toughest thing is raising the money to support the organizations. San Francisco has been working over a year to help organizations. On the 60 Minutes tape I said when you sit in a meeting and say you are going to help poor women, put them in business, and loan them money, and they have no collateral or assets, that tends to drain the color from bankers' faces, and foundations and corporations think it is some service giveaway program, and we do enough of those. So, there is a real lack of understanding. We don't fit in neat boxes in how we do things.

So, lend your credibility to some local groups to raise money.

I think the other is this Government has to put out some challenge money that lends credibility to these organizations.

Ms. **Meyers**. Thank you.

Lillian, I think it was you who said you went to the SBA, and the SBA told you to take some classes.

Ms. **Keeley**. I said that.

Ms. **Meyers**. Are you saying the SBA is prejudiced against women particularly or——

Ms. **Keeley**. I think they are prejudiced against small businesses right now. Back in the Midwest, we are direct, right? Out of 650 businesses we have gotten started, one is SBA out of all of that. Most of them are turned down. We don't go in anymore. We had to lose $2,000 for the points on the loan. We are fifth out in terms of collateral on the financing. We have gotten paid back our points and everybody else was paid out of this. The business is working, and it is doing great, but we see it as twice as hard as a bank to get money out of, frankly. Your collateral has to be better.

Ms. **Lincoln**. I would like to comment on that.

That is the major problem with SBA. If a company even qualifies for the loan, by the time SBA gets the paperwork, the company has gone out of business. It just takes too long.

I was on a bank board once, and we sometimes couldn't approve SBA loans, because SBA moved too slowly for the bank, and banks are slow enough. I think that is a major problem, there is too much bureaucracy and too many people passing things off to someone else. Nobody wants to assume responsibility for getting things through all the red tape. So, lots of companies are discouraged from going to SBA.

I did not get an SBA loan, but I had some personal money and had bank financing, but I was thankful I didn't have to go to them because of the stories that I had heard about SBA funding.

Ms. MEYERS. Thank you very much. I really appreciate all of you being here today, and it has been a very interesting hearing.

Chairman LAFALCE. Thank you. Mr. Slaughter.

Mr. SLAUGHTER. Thank you, Mr. Chairman.

I would like to say to the panelists who have come here, I certainly join in the appreciation of having you all testify, and I think the comments you have made have been very interesting and articulate. I certainly hope that there will be some progress as a result of your appearance.

Thank you very much.

Chairman LAFALCE. Ms. Bergen, I thought I saw you about to make a comment in response to one of the questions and didn't get a chance. Would you like that opportunity now?

Ms. BERGEN. Actually, we were talking about Government contracts, and I think the thing women miss most in bills is really basic information. The unfortunate part about it, I think, for us as women, and newly entrepreneurial women over the last 10 or so years, 20 years, is that we really don't have our network, and if we had it, the network doesn't have the information either, because we weren't brought up in that kind of society where the information was taught to us from a very early age, so that many of us miss opportunities within our businesses; whether it is building or for me making shoes for the Army, there are so many things that we could all be available for that could help us expand, enlarge our businesses, both nationally and internationally, that we aren't even aware are there for us. We don't have the input.

We don't know the questions to ask to get the right answers in a lot of cases, and I think that that, if it was available, certainly for me, a handbook or something that could be passed out by NAWBO to women in business that would cover many of the varieties of business that women are in today and the advantages available to them, not as a give-away, not as anything but information for them to know, that could conceivably add to their business, enlarge their business, make them more important not only for themselves but economically for the country. It would be a tremendous advantage to all of us who are striving to build our companies and enlarge our businesses.

Mrs. MEYERS. Mr. Chairman.

Chairman LAFALCE. Yes, Mrs. Meyers.

Mrs. MEYERS. The thing that surprised me most about the testimony today was: It has seemed to me that some of the problems that women have had in the past would be resolved just by time, and yet, I am still hearing the same concerns expressed today that I heard 10 years ago. Ten years ago I was in the Kansas Senate, and we were also involved with business and encouraging a good business climate in the State, and I am hearing the same things now that I was hearing 10 years ago. I really believe that the policy council that you are suggesting might be an excellent idea. Sooner or later we have to make another giant step forward so that 10 years from now we won't be sitting here saying it is very difficult for women to get credit.

Chairman LAFALCE. Ms. Rudd, in your testimony you suggested that it was necessary to obtain better information. I forget exactly where you said it or how you said it, but, clearly, one of your points was that we had inadequate data with respect to women-owned businesses, correct?

Ms. RUDD. I think it was in the national strategic planning area. As a marketing firm, I do not go out and sell a client's product if I don't know what they have, what resources they have to fulfill all those things. We do not know what resources our country has in terms of our service sector, in terms of what women entrepreneurs are doing. We need to marshal our statistics together so we can go forward from there.

Chairman LAFALCE. It would be helpful for me if, subsequent to these hearings, you could attempt to outline the type of data you think would be helpful. In other words, if we are complaining about lack of data, fine. If we want to charge some governmental entity or entities with responsibility for developing this data, what charge should we give them? What is the data, and is the data just for the sake of data or is it data that could be useful in some way? That is really the only purpose of collecting data, because, at least, at some point in time we envision its being useful, otherwise it would be a wasteful exercise.

So, if you could help us in that endeavor, we might be able to put something in some bill which mandates some data collection with respect to women-owned businesses or SIC codes, et cetera. So, let's try to flesh that out.

Ms. RUDD. We would be happy to do that, because we can't make economic policy if we don't have it.

Chairman LAFALCE. I am just going to toss a threshold question at you that I don't think has been asked of you, or of other organizations, or groups that we attempt to help, and it has nothing to do with gender. Are we simply attempting to destroy whatever discriminatory barriers exist, however subtle they may be? Clearly, it seems to me, all people of good will should want to do that and strive to do that. Or are we going beyond that? If we are going beyond that, why are we going beyond that? Are we saying even if there were no barriers we ought to be promoting a certain percentage of Government contracts for women business owners or a certain percentage of SBA loans for women business owners? Are we really, in the back of our mind, thinking at some point in time of goals for women business owners as a percentage of the participation with the economic workforce?

Ms. RUDD. I think what we are looking for is an open system so that we can come in by merit so that the information process is part of that. We want to know what contracts and procurement are open so we can bid for them. That is an ideal situation. We may have to take steps to get there.

President Carter was the last one who put in an executive order for goals in the agencies. We have had a kind of sleeping period for 10 years now. But our long-term goal is to use the Government dollar well and to get all businesses that have merit to get those contracts to get to them.

Now, how we can, for instance, find our way through the maze of procurement contracting to get to that, we would like to do a model program and see if we can do something along that line, but our long-term goal is to get the whole system opened up for us, for everybody, I should say.

Chairman LaFalce. It should be. The reason I asked that question is because there is so much confusion so often about what the goals of legislation are. For example, take minority programs. Do we create minority programs for blacks, and Hispanics, and other people defined as minorities to establish the owners of businesses as beneficiaries, or do we anticipate that the people working for minority-owned businesses will also be minorities? Is it our primary purpose to create jobs for minorities independently of who the business owners are?

Then, of course, who are minorities? That is one of the reasons I wanted to pursue what the goals of assisting women business owners should be. Because, as you know, or perhaps don't, there was a recent law that passed in this Congress, January 1987, the Surface Transportation Act, which, for purposes of Government contracts, included women as minorities within the set-aside program. Women business owners have obtained an unusually high percentage, I am advised, of the contracts under the minority set-aside program. Some would say this is good, some would say it is depriving other minorities or true minorities. Women are not true minorities some people would argue. It is a controversial issue, and there is no sense avoiding it.

Anybody have any comments they would like to make on that?

Ms. Rudd. I have a comment. I am never at a loss for words.

Chairman LaFalce. Sure.

Ms. Rudd. Our true goal is to open the system, and we don't want to get involved in special interest fights. It doesn't do anybody any good. Our concern is that America is at an economic cross roads, and we are having problems right now. I think within the women business owner community, we have boot-strapped what might be called our initial 8(a) program we have done for ourselves. Now we want the system opened up so we can get more of the marketplace and get some more of the dollars, so that we are totally focused on expanding the whole system for entrepreneurial businesses, because that is what the country needs.

Ms. Lincoln. Could I comment on that?

Chairman LaFalce. Surely.

Ms. Lincoln. Ideally, our system would be so there would have to be no special programs, that the system is open enough that everybody can compete. I know about the argument between the set-asides for minorities and women as minorities. Which side do I fall on? I fall on both.

But it seems to me the big argument is that this is the pie, and this is all of the pie there is, so we slice it into smaller slices, and that is where a lot of the argument comes in. I agree that, ideally, we would not have to have any set-aside programs, but there are a number of barriers that Congress can work on so that access is there for any business that wants to participate in the free economic system.

Chairman LaFalce. Good. Ms. Bergen.

Ms. Bergen. I think that all of us agree that as we, I think, have said, are really not looking for special assistance. We are not looking for a give-away. We really want to be able to compete on an equal basis in an open marketplace and bid as everyone else does, and if our bid is the best, we get the job.

Unfortunately, we don't know what the job is, so we can't place the bid. That is where we have a problem in the marketplace. It is simply a case of wanting to have the same opportunity as everyone else to try to get the job. If we lose it, we lose it, because we weren't good enough, or our bid wasn't low enough. But right now it is the initial opportunity that is the step we are in many cases missing, because we don't know what it is.

Chairman LaFalce. Thank you.

Well, if there are no further comments, I want to thank all of you for an excellent presentation in the opening hearing of what will be a series of hearings on the problems and opportunities of women business owners. You have given us an excellent departure point for that. I thank you very much.

The committee is adjourned.

[Whereupon, at 12:10 p.m., the committee was adjourned, subject to the call of the Chair.]

NEW ECONOMIC REALITIES: THE ROLE OF WOMEN ENTREPRENEURS

WEDNESDAY, APRIL 27, 1988

House of Representatives,
Committee on Small Business,
Washington, DC.

The committee met, pursuant to notice, at 9:10 a.m., in room 2359-A, Rayburn House Office Building, Hon. John J. LaFalce, (chairman of the committee) presiding.

Present: Chairman LaFalce; Representatives Sisisky, Hayes, Lancaster, and Price.

Chairman LaFalce. The Small Business Committee will come to order.

This is the second in our series of hearings addressing issues that affect women business owners. Yesterday we heard from a panel of witnesses representing a broad range of business activities in which these women had achieved distinction.

Today, we will continue to review the considerable accomplishments of capable entrepreneurs who just happen to be women. We will also focus on the persisting difficulties facing women who try to gain entry to the Federal marketplace.

The committee has received numerous complaints that women are virtually shut out from Government contracting activities. In 1979, women-owned small business received .22 percent of all contract dollars awarded by the Federal Government. Ten years later, women-owned business has become the fastest growing segment of our economy. Yet women still receive less than 1 percent of the procurement dollar.

I am also happy to report that we will receive the findings of a major new study, as announced at yesterday's hearing, on the state of women business owners around the country, a survey of State and local programs for women business owners.

I appreciate the willingness of these witnesses to appear before this committee to relate their concerns, and I am confident that we will benefit from their testimony.

I would now like to call the witnesses to the table. From right to left, Ms. Charlotte Taylor, president of Venture Concepts; Ms. Margaret S. Hansson, president of the M.S. Hansson, Inc., and chairperson of PureCycle, Inc.; Ms. Phyllis Hill Slater, president of Hill Slater Engineering of Long Island, NY; Ms. Carey I. Stacy, owner of DiaLogos International Corp., and coowner of Globex, Inc. of Raleigh, NC; and Ms. Mildred A. Green, president of Accounting Data Systems, Inc. of Caro, MI.

The ranking minority member of the committee would like very much to be here, but unfortunately cannot, and he has asked me to put his statement in the record at this point in time. Without objection, so ordered.

[Mr. McDade's statement may be found in the appendix.]

Chairman **LaFalce**. I also have a prepared statement that has been submitted by a leader in the fight for women business owners and women on all issues, Congresswoman Patricia Schroeder. Without objection, I would now like to put in the statement of Ms. Schroeder.

Without objection, so ordered.

[Ms. Schroeder's statement may be found in the appendix.]

Chairman **LaFalce**. Does any member of the panel have any statement that they would like to make before we begin?

Mr. **Lancaster**. Only on behalf of Congressman Price and myself to welcome a North Carolina woman to today's panel. Mr. Price will be here shortly. Unfortunately, I may have to leave before she testifies. But we do welcome Ms. Stacy to the panel, and look forward to the testimony of all of today's witnesses. I know that it will be equally as interesting, helpful, and enlightening as yesterday's panel was. Thank you, Mr. Chairman.

Chairman **LaFalce**. Do you have to leave relatively early?

Mr. **Lancaster**. I do, Mr. Chairman.

Chairman **LaFalce**. Well, our first witness then will be Ms. Carey Stacy.

Mr. **Lancaster**. Mr. Chairman, you might want to wait until her Congressman gets here, because he is on his way.

Chairman **LaFalce**. Then we will wait a little bit. Why do we not go from left to right.

Ms. Green, would you like to go first?

Ms. **Green**. Thank you.

TESTIMONY OF MILDRED A. GREEN, PRESIDENT, ACCOUNTING DATA SYSTEMS, INC., CARO, MI

Ms. **Green**. Mr. Chairman and esteemed members of the House Small Business Committee, I want to thank you for the opportunity to share a few of my achievements and challenges as a woman business owner in the Government procurement market.

I am president, chief executive officer, chair of the board, and major stockholder for Accounting Data Systems, which is a full systems house for computerization. My target market is the Government. I would like to have that be a larger market than it is right now. But last year, we did $2.5 million in goods and services for the States of Michigan and Tennessee, as well as for the Federal Government.

As a woman who started four businesses in the State of Michigan, I can say that Michigan has been an excellent place to start a business. I think that is truer in the last 5 years than it was prior to that, because now there is an Office of Women Business Owners Services which is sponsored by the Department of Commerce to help women-owned businesses, to help us see the road, and find the way.

I still believe that perseverance, openness, and a niche in the market is what makes any business successful, but particularly women-owned businesses.

All four of the businesses that I started were started with less than $10,000 in capital and these were from my personal savings. The way that I obtained my abilities as far as bidding on Government contracts is concerned is that I worked for a bridge contractor who bid on bridges in five States, and I think that I helped to make his business very successful. I took that into my own business.

The four businesses that I have started are a piano school, a retail bridal apparel shop, two intermediate care facility homes for developmentally disabled adults, and an accounting service bureau for nonprofit corporations which subsequently became Accounting Data Systems, Inc. [ADS].

We are right now in the process of moving into manufacturing of computers as well as manufacturing of software and franchising my business.

All of the contracts that ADS won and has maintained to this present date were awarded in an open market with no set-asides, no incentives, or any other type of equal opportunity access programs to procurement.

I do appreciate the fact that there is a new 5-percent access to procurement offered by the Federal Department of Defense. Some States, such as Michigan, currently offer set-asides to women-owned businesses. However, these are discretionary funds, and sometimes do not provide access or encouragement to procurement opportunities. Usually, the contracts for women-owned small businesses are awarded after the award, not prior to it.

The Office of Women Business Owner Services was started in 1983, about the same time that I started my business. It has been a great encouragement to me.

My 5-year old company's expansion into the manufacturing and franchising environments is significant, because it means that we have struggled and won against all of the odds and against all of those who said that it could not be done.

When I started Accounting Data Systems, 5 years ago, I was ashamed to be a woman-owned business. When I decided to attempt to sell products and services at the State level, I walked around in the purchasing office in Michigan, in Lansing, until 20 minutes before closing time before I got up the courage to go in and tell them I wanted to sell goods and services to the State of Michigan.

An Office of Business Owners Services is urgently needed at the Federal level and in each one of the States to encourage the fastest growing segment of our Nation's economy.

Some of the successes that I would mention to you is that I have two multi-million dollar contracts with the State of Michigan, one with the Department of Mental Health, and one with the Department of Corrections, and I have several other small contracts. I have two multi-million dollar Federal contracts right now, one with the TVA and one with the Federal Trade Commission.

I am in the process of finding, and I heard this morning that we are a little closer to being successful on two GSA schedules, and I am very excited about that.

It is my firm belief that local, State, and Federal Government agencies should be thought of as any other customer, and that is, that we give the very best quality that we can to those people.

However, I do have a couple of horror stories, and I would like to share one with you this morning. After our first Federal contract was working smoothly, Accounting Data Systems received an opportunity to bid on a second one, and it was a bid for 180 to 360 PC computer expansion boards. After the preaward evaluation step was completed on that bid, we contacted the distributor and asked him to then prepare to start providing this product to our customer.

What we found out was that the manufacturer had also bid on this contract in competition with the people that he had given prices to, and was now removing and changing his pricing to us.

Number one, he said that we had to provide chips on the boards ourselves. I subsequently looked into Japan and tried to retain chips. At that point, and this was approximately 1 year ago, sanctions were going to be put on Japanese imports, particularly computer products. Sometime later, I would tell you my fish and chip story.

Because I believed that the manufacturer's access to information, and I subsequently found also that the manufacturer had communicated with the buyer on this and that he knew not only my pricing but the pricing of the other people who were bidding, and, in addition to that, he was now raising his price on the products that he was going to sell to me.

When I questioned him on this, he said that he was the only manufacturer and that I had no choice, that I would have to buy from him. At that point, I said I do not think so.

I subsequently planned for a prototype, and did call the buyer and told the buyer and his supervisor that we would manufacture the same board subsequently, and that it would either meet or exceed the specifications, and that we would produce it within the allotted amount of time.

I thought that would answer the problem. The supervisor said that I should list my protest in writing. I did do that, and the bid was withdrawn.

My problem with this is that I lost money, because it cost a lot to prepare the bid, it cost me a lot of money to find the chips, and it cost a lot to manufacture the prototype. Now, everyone knew my pricing. The manufacturer subsequently came in, and rebid it under my cost, and because he had only paid 50 cents apiece for those chips while I had to pay $2.50 for them, and those chips today are $12 each. At that time, I did not know, and no one had told me that I could go back to that department and ask for a redress on my costs.

There is a need for change. The current procedures are discouraging small businesses, much less women-owned small businesses, from entering the procurement market. When I talk to other women-owned businesses, encouraging them to be dealers for my company for our products, they look at me with skepticism and say, "Why, with all of the struggles that you have had in the last 5 years and just barely survived many times, why should we want to?"

When the Federal Government indicates publicly that it will place a sanction on products, it invites manufacturers and distributors to stockpile and raise prices beyond reasonable markets, and WBO's, women business owners, just do not have the inside track to get ahead of this game.

This is especially harmful and discouraging to women-owned businesses. I have struggled and won the right to provide quality goods and services on some proportionately small Federal contracts. I know and believe that there are women-owned businesses who are interested in doing the same.

Since I believe that it is in the best interest of the Nation's economy to support the courageous efforts of women small businesses, I would like to make the following recommendations, and these are my opinions solely.

I would like to recommend that there be commissioned a Federal study to determine what percentage of American businesses are women-owned small businesses. Some informal statistics today show that is approximately 46 percent.

Second, what percentage of new jobs these businesses would provide. Those same informal statistics say four out of five.

Third, what dollar amounts of revenue are currently being generated by women-owned businesses in contributing to the American economy. Those same informal statistics today say $250 billion in revenues.

The second thing that I would like to recommend is a federally mandated 10-percent access to procurement for women-owned small businesses on all contracts involving Federal moneys, and that this be certified at a Federal level, and monitored by a Women Business Owners Services in each State.

There is a model certification process right now in the Michigan Department of Civil Rights, and also the city of Philadelphia. It is a very stringent process, I might also say.

The last thing that I would like to recommend is that there be a federally mandated waiver for women-owned small businesses to allow contract prices to increase according to increases for products listed on contracts, and that is when the price increase is directly attributable to any Federal or State sanctions or legislation causing that increase.

Thank you very much for the opportunity.

[Ms. Green's statement may be found in the appendix.]

Chairman LAFALCE. Thank you very much for your testimony, Ms. Green. I tend to agree with your recommendation for a study. I have some serious qualms about any 10-percent set-aside, or a federally mandated certification procedure, or a federally mandated waiver for women-owned small businesses. We want to remove all barriers and all obstacles, and any form of discrimination however subtle, and we want to have affirmative outreach and affirmative action. But those initiatives would go way beyond that. I would have to be convinced of that.

We see Congressman Price here. I was about to call upon the representative from the State of North Carolina to testify.

Ms. Stacy, before I do, Congressman Price, do you have any statement that you wish to make?

Mr. PRICE. I would like to welcome Ms. Stacy to the hearing. I appreciate her participation, and I look forward to her testimony. Her business is an exciting one and crucial to our country's international competition and ability to break into new markets.

Chairman LAFALCE. All right. Thank you.

Ms. Stacy.

TESTIMONY OF CAREY I. STACY, OWNER, DIALOGOS INTERNATIONAL, CORP., AND COOWNER, GLOBEX, INC., RALEIGH, NC

Ms. STACY. Thank you.

Mr. Chairman and members of the committee, I am Carey Stacy, and I am from Raleigh, NC. I appreciate not only the opportunity of being here, but seeing two people from my State sitting on this committee. I am much encouraged by this.

Chairman LAFALCE. You are very, very well represented, by the way.

Ms. STACY. I am assured of that.

Mr. LANCASTER. We are neighbors, also.

Ms. STACY. I am the owner of DiaLogos International. People ask me what it is, and I can only say that it is an international language enterprise.

I started out 11 years ago, dissatisfied with the university that I was teaching. I tried to work through the system, and I wanted them to put in a more practical language learning track. Not to do away with the great books and the great literature of the world, but to put in an alternative for people who needed to carry on conversations with their neighbors across the world in foreign languages.

I was unable to accomplish that through the system. So, like so many business people, or like so many people, I said I will make a business out of it. I opened my doors, and said you all come, and they did 11 years ago.

DiaLogos now has grown to where we provide for language training. We provide translations, interpreting, cross-cultural training. We have the joy of being the first instance in the United States whereby a public school system has contracted out teaching hours to a business.

This is significant to us not only because of business, but because of what it is doing for our country in terms of making it more competitive in international trade.

Our teachers teach beginning in kindergarten through the twelfth grade in the magnet schools in White County, NC. They teach not only Spanish, French, German, and Italian, as you might expect, but they also teach Chinese and Japanese. We have the contract already signed for next year, and we are looking to adding probably Russian and Arabic.

If we are going to compete in the international world, we have to be able to speak the language. The most important language in the world is always the language of your client. That is what we want our Nation to be able to speak.

I do not appear here before you to lament the inequities which women in business and women business owners so often suffer. You know in your hearts that those inequities exist, or we would not be here today, and you would not be listening to us.

I am confident that you are aware of that, and that you are working on programs and possibilities for redressing those wrongs. I lament, however, the loss to the country of the talents, the skills, and the vision of a significant sector of our population.

I believe that the vision, the talents, and the skills of all of our small businesses needs to be harnessed for this country to prosper, especially in international trade.

I ask you for increased opportunities. I have some difficulty in asking for special programs for women alone. I want to see programs where all of us have the equal opportunities, and then we survive if we are competent. If we do not, then, like everyone else, we drop by the wayside.

When I opened DiaLogos in 1977, I was told by everybody that a foreign language center had no possibility of surviving. Sometimes, I am a little irreverent, and I said, "But I only have this competition, Duke University, the University of North Carolina, and North Carolina State."

I really did not mean it as it sounded. What I really meant was that we are doing different things, and we are doing them differently, and there is room for all of us, and there is a need, there is a growing need.

But this was in Chapel Hill, NC in 1977. We have found 5 years later, that North Carolina has indeed come into the international arena. It has consistently been listed in the top two or three States in the country in terms of foreign investments. Three additional language enterprises have begun there. The universities proudly proclaim their international language offerings.

American Airlines will next month begin international flights out of the Raleigh-Durham Airport, and a world trade center is under discussion.

I am simply saying that this was a vision, that it has come to pass, and we need to nurture small businesses and businesses coming along that are going to be there and be ready when other people have not seen what was happening.

It is not only women who have this vision, and it is not only small business people. But whoever has it should be encouraged, and it should be nurtured as we move along.

In 1985, I was selected as one of 13 delegates nationwide to go on the all female trade mission. It was the first all services trade mission ever to go out from this country.

Now, I ask you, what is a foreign language enterprise going to sell in Europe? I did not know, but I was willing to take that chance and to rely upon my own ingenuity and say if I can go and if I can be selected to go, I can find some way to sell. I was the first person to sign a contract, the first person to get paid, and my contract is continuing.

What happened? I found information there. The information was that the common market is absorbing almost all of the professional translators and interpreters that Europe is producing. Therefore, they were delighted to find that they could FAX materials to me in

North Carolina, have half the turn-around time at about three-quarters of the cost that they would have there.

So, today, I have the majority of my work, I would say, coming from outside of this country. That is good and that is bad. That is good for my business, but it certainly does not say anything positive about the way that we do international business.

Europeans know that if they are going to succeed in international trade that they need to put it in the other man's language. Americans still believe that anywhere in the world if you really want to do business with us, that they ought to speak English. It is not true. We must take steps to correct that.

After the 1985 trade mission, I was asked by the National Association of Women Business Owners to organize and take out the next trade mission. I did so.

Let me first say that the whole idea of taking out trade missions for women came from two women in the National Association of Women Business Owners, Tommy Tarsell of Baltimore, MD, and Janel Landon of Chicago.

They had the idea that we should be able to do something that is good and productive for individual businesses within our membership, but that at the same time did something positive for our country.

The idea is very simply that small businesses need to get into export, if this country is going to regain first place in international trade. We do not enjoy first place. I do not enjoy going out throughout the world and hearing people snicker at the made in USA label.

Many years ago, we snickered at made in Taiwan or made in Japan. It hurts now to go throughout the world and to hear those same tones of derision on made in USA.

We need to use the talent of all segments of our population, our business population, to succeed in international trade for the United States of America.

Back to the trade missions. I organized a trade mission to go to Japan in 1986. This trade mission, like the first one, was under the auspices of the National Association of Women Business Owners with great cooperation and great support from the U.S. Department of Commerce and the U.S. Small Business Administration.

One of the ways that we differed from other trade missions going out was we did our homework, and we found that it paid off. In deciding where to go, we researched a number of different countries. We tried to find out what products and services that they were likely to buy. Then, because we have a wide range of services without our organization, we tried to solicit participation in companies that we felt were strong enough to truly market internationally.

We chose health care services. We wanted to focus upon services, because we think that offers the new opportunity in international trade for the United States. We sent a list over to the overseas post in Japan, and we asked them to give us the benefit of their knowledge of what would be marketable there. They sent back to us that yes; that health care services would be great.

Chairman LaFalce. Ms. Stacy, I would ask you to attempt to summarize your remarks in about 2 minutes or so.

Ms. STACY. I will; yes. We went to Japan, and we found that health care services indeed was a market. But when we got there, they told us that the things that we were bringing were not the things that they had meant by health care services. We meant serious health care services, and they meant things like physical fitness and diet.

We did do some research, some extra research, and when we got there, we were well received. The Japanese told us that they preferred doing business with us, because we had done our homework. Our homework meaning that we put all of these women through a training course prior to going. They each spoke a little bit of Japanese. They knew the business customs, and they knew the culture. They were told that yes, indeed; the Japanese like doing business.

Some of the signed contracts led later to contracts. The headlines in the newspapers were, "The American Women Businessmen Are Coming."

After our trade mission, the U.S. Department of Commerce said they had learned a lot of things about the health care industry in Japan that they did not know before, and they are now putting together a health care services mission.

On the heels of that, we hosted a number of buying missions coming back; people we had met in Japan who decided, yes; that they would come, and they would try to buy from United States. One of those missions came to North Carolina only 4 months after our trade mission.

I simply want to say that as I see the problem, the problem is that business as usual in international trade is not doing us any good. There is nothing to lose and everything to gain by allowing new perspectives.

I would ask you to work together with groups such as NAWBO and other international groups to help open opportunities for not only women, but for small business to get into international trade. International trade is the new frontier. There are new prospectives out there, and we are willing to help.

Thank you so much for the time.

[Ms. Stacy's statement may be found in the appendix.]

Chairman LAFALCE. Thank you very much, Ms. Stacy.

And now the person from the State of New York, Ms. Phyllis Hill Slater.

TESTIMONY OF PHYLLIS HILL SLATER, PRESIDENT, HILL SLATER, INC. [HSI], LYNBROOK, NY

Ms. SLATER. Thank you. Good morning Congressman LaFalce, and distinguished members of the Small Business Committee, ladies and gentlemen.

My name is Phyllis Hill Slater, and I am principal of Hill, Jenkins, Gaudy Associates, Engineer and Architects, and president of Hill Slater, Inc., an engineering and architectural support firm. Both firms are located in Lynbrook, NY on Long Island.

Hill, Jenkins & Gaudy Associates is a 100-percent minority-owned- and operated-firm. My father, Philbert D. Hill, and two other pioneering black men started HJG in 1969. Since its inception, HJG has maintained a diverse engineering and architectural practice.

Hill Slater, Inc. is 100-percent women/minority-owned firm of which I am the president and sole owner. Since 1984, Hill Slater, Inc. has served the architectural and engineering community and related enterprises.

I am presently the president of the National Association of Women Business Owners, the Long Island Chapter. We are 2 years young and 85 members strong. We also have a mailing list of over 500 women business owners on Long Island.

I am also a member of the National Society of Professional Engineers, and I sit on the National Minority Business Council. I was a delegate to the White House Conference on Small Business in 1980 and in 1986. I was also a delegate to the New York State Conference on Small Business in 1982.

I also participate in a program, a role model program for the 100 black women of New York where I have engineering students coming to my office twice a year from Spellman in Atlanta, and from City College in Manhattan. They come to the office. They are usually in their third or fourth year, and we show them just what we do, and try to interest them in coming into electrical engineering, mechanical engineering, lighting, power and design type of engineering as opposed to electronics communications.

I shall attempt to outline some of the pros and cons that I have encountered as a black woman business owner. For 8 of the past 19 years, HJG has been involved with MBE/WBE/DBE processing. Certification as a minority firm seems to come after producing all sorts of information, just short of a blood test.

Up until 8 years ago most of our work came from referrals given by other black minority architects and/or engineers. If we received work from the Government, be it Federal, State, or local, then the work was 9 times out of 10 in a minority neighborhood and consisted of mostly rehabilitation; very seldom new construction.

Since MBE goals have been established, our services are now being solicited by majority engineering and architectural firms for 10 to 25 percent of their intended contract.

Some of the problems I have faced as a result of this process are: We have been overlooked by the soliciting agencies for prime contracts. In some cases we have even been removed from the regular list of engineers and architects and placed on the minority lists. We therefore receive this information and notices directed only to minority firms.

This is what I consider being "black listed." We are not considered as capable as majority firms, even though our architects and engineers went to the same schools, took the same licensing tests. We are not exempt from the State licensing procedures because we are minorities, and likewise do not take a different or easier version of the test.

A popular misconception among Government agencies and businesses in the private sector is that minorities enjoy a position of privilege and are making truckloads of money. As a result of this, there are many businesses posing as minority owned and operated, so-called fronts, trying to get on what they perceive to be the MBE/WBE type gravy train. What minority business detractors fail to realize is that not only do we have to be certified as a minority or a woman business owner, but we also must be capable of seeing a contract through its completion.

The term "Disadvantaged Business Enterprise," DBE, does not enhance the professional standing of a licensed professional firm or any other business for that matter.

Also, there is a ceiling placed on the amount of money a company may earn. When the firm reaches said amount, they are no longer eligible for the MBE/WBE/DEB program under the U.S. Transportation Regulation 49.

As a result of disqualifications, there are now firms facing cash-flow problems, subsequent reductions of staff, or even closing their doors and taking down their shingles. Let us keep in mind that women hire other women; minorities hire other minorities; so, these layoffs are hitting an already economically depressed sector of society.

We have subcontracted some of the largest engineer and architectural firms in the country. However, if we are not providing or satisfying a goal, they do not call us back. We have only had two cases where these firms have called us back to do repeat work. They have called us back to do repeat work, but only two firms have ever called us back to do work when there were no goals involved. I feel I should mention those firms, because one of them does a lot of work nationally and internationally, and that's Vollmer Associates, and the other one was a woman-owned architectural firm by the name of DiGeronimo Architects in New Jersey. They have called us to do work only because they were pleased with the work we had done before for them. It had nothing to do with goals.

I believe that so long as discrimination exists against minorities and women that there will be a need for affirmative action programs. I feel very strongly that this program may only be disbanded once this Nation truly becomes a melting pot where neither race nor sex is a determining factor for success.

My other point is about women make being thrown into the pot of minorities.

Women make up the majority of the population, and, therefore, women should not be considered a minority group.

Minorities and women business enterprises should be kept as separate entities. with separate goals to be outlined in each contract and/or a statement of intent for each agency's goals.

Women business owners are discriminated against in a way that is unique to women. Their inclusion in affirmative action agendas lends credence to the need for special consideration on their behalf. Minority business owners are discriminated in a way that is unique to minorities.

Let us keep in mind that given a choice, this is my opinion, a majority firm would choose to subcontract to a nonminority women rather than select a minority woman. Also, if the course was women versus minority, the majority prime contractor would be included to choose a women business enterprise.

The other concern I have is prompt payment and ensuing rights for subcontractors is a major cause of contention.

As a subcontractor under the MBE/WBE process, we have to be qualified, certified, and follow the same rules and regulations. Example: I even carry the same amount of insurance that my prime does, as set forth in the governing agency.

In this situation, our contract is with the prime and not with the agency. Therefore, we are at the mercy of the prime and can only hope that they submit our invoices on time and pay us in a timely fashion. Timely payments are the greatest problem. We are left to act as the banker for the prime and/or the agency waiting 30, 60, 90, or 120 days for payment.

The subcontractor should be notified when payment has been made to the prime. I should have the right to know whether or not the prime has been paid. Better yet, the agency should make payments directly to the subcontractor as well as to the prime, rather than leaving the subcontractor to fight for their approved payments for services rendered.

I thank you for the opportunity to be heard.

[Ms. Slater's statement may be found in the appendix.]

Chairman LaFalce. Thank you very much, Ms. Slater.

Before we continue with our next witness, two things. I notice that we have in attendance now, Governor of the Federal Reserve Board, Ms. Martha Segar. Martha, I want to thank you for coming here. I hope you will be coming to testify before us at some point in the future on these issues.

Ms. Segar. Thank you.

Chairman LaFalce. Do you accept? OK, great.

I know that Congressman David Price has some questions he would like to ask, and I also know he has a commitment where he was supposed to have been a short while ago. So, I am going to ask Congressman Price if he would like to ask some questions right now, and then we will go back to the panelists.

Mr. Price. Thank you, Mr. Chairman. I appreciate the chance to break in here and ask a couple of questions. I apologize to the remaining witnesses that I do have to leave, but I very much appreciate the testimony that we have heard already.

The chairman took the Small Business Committee to North Carolina last year, and we had extensive hearings on procurement matters. The question we took to those hearings was a very simple one. It was focused on North Carolina, of course, but the same question could have been raised in a number of areas of the country, and that is, with a substantial Federal presence and a substantial military presence, why was it that local businesses, small businesses, minority businesses were getting such a small share of the procurement dollar?

We were partially able to answer that question, and we have seen some improvement in the ensuing months. For example, a couple of our major Federal agencies have stepped up their outreach programs, have held workshops, have brought in, I'm told, well over 200 firms, and have made an increased effort to let firms know what they need to do to compete.

Of course, we need to do a great deal more along these lines. We need voluntary efforts on the part of these agencies. We also need, I think, more activity on the part of the Small Business Administration and other agencies.

Ms. Green and Ms. Slater, your testimony sheds further light on this problem, and I would like to turn to Ms. Stacy, and ask her to comment on the problem as well.

Your testimony did not deal with procurement except in passing, but I wonder if you could shed some light on that subject since it has been raised by the other witnesses. Of course, you have had some experience in dealing with the Government, and perhaps also with the military. I wonder if you could elaborate your testimony along these lines.

Ms. STACY. Thank you; yes.

Number one, I did not have any horror stories, not because I did not have any, but because I do not remember them. I have been too busy out there trying to go on from one step to the next. There were some horror stories.

In terms of procurement, I have found that for the most part it is lip service. When you have all of these conferences, which we have in North Carolina, and they have throughout the country, people really want to open the doors and to help us know how to work through the process.

The simple truth is, they do not know themselves how to do it. That has been my experience. I do not go to any of those procurement conferences any more because I have heard most of those stories. I have heard most of how you go through things. I tried to go through some, and I found in my particular business what happens is that a large company, who may not even be in the business of translations, will go out after a Government contract at a lower price and use that as a loss leader to obtain other contracts. So, I found that it has not been that worthwhile.

I wish it were. I wish that I felt encouraged and felt like going to some of these opportunities that are provided for us.

Mr. PRICE. You have experienced that kind of competition from larger firms that have underpriced their services, you feel, so as to——

Ms. STACY. Yes, indeed. They do it under what it costs them, and they use that because they are not even in the business, and they subcontract it out to someone else. They take that loss because they know that they can get in for other areas of business contracts.

Mr. PRICE. Well, does this experience lead you to any sense of what ought to be done or what might be changed?

Are there flaws in the way the procurement process is carried out?

Ms. STACY. I cannot suggest changes there. I would certainly be happy to think about it, and with your permission send some information in to you.

I have been away from that for a considerable amount of time, because I did not find it worthwhile, and, frankly, it was taking too much of my time to run after all of these programs that never produced any results.

Mr. PRICE. Ms. Green, I notice you are nodding your head. Do you have something to add?

Ms. GREEN. Do I need this microphone?

OK, I guess the one thing that I would address that Carey is talking about is that conference, after conference, after conference is given, and it is all philosophy. What I am offering to the dealers who want to work with accounting data systems is the hands on, walk out the door, you have the certification in your hands, and that is the reason I am franchising my business, because it is not available out there right now.

The only problem that I run into with it as far as talking women into doing this is that they take one look at everything that has happened to me, and most of them know about it, and say why would I want to do this, and that is the reason why I suggested some kind of incentives.

I think some type of good faith opportunity for women-owned businesses to give them a little incentive to get in. It is like any other water—when you get in, it is not that cold.

It is a matter of providing good quality goods and services. It cannot be a front situation, and I do not think there is that much of that out there. I really believe that the women who are in this area are in it because they have the tenacity to stick to it, and because they have quality goods and services, and they go on just as Phyllis Slater just told you. In order to stay, you might get one contract that way. But in order to stay in the business, you have to deliver quality goods and services.

What happens with the larger manufacturers is just what happened to me with that manufacturer that I told you—well, maybe you were not here to hear that, but the manufacturer who came in and bid under my cost, and took a contract away from me. After the fact, there was no way that I could—because he already had the—well, obviously having a Government, a Federal Government contract gives you a lot of credibility.

Mr. PRICE. This was after the process had been reopened.

Ms. GREEN. That is right.

Mr. PRICE. Yes.

Ms. GREEN. So, once his product was in there, this is now endorsed by, or used by, or given by the Federal Government, and so, we did not go on and produce that board. There was no point in it.

Mr. SISISKY. Will the gentleman yield for a moment?

Mr. PRICE. Yes; certainly.

Mr. SISISKY. Did any of you deal with the advocates of these agencies like the military? I know the military, in particular, have advocates for small business. The Army has a one-star general that is just assigned to get small business involved. I know the Navy has a department to do that.

Were any of you involved with the advocates in these agencies?

Ms. GREEN. I guess the only thing that I would tell you is that the only agency that—the only department, the only person that has ever been of any help to me was the Office of Women Business Services in Michigan. Even in other States where I have contacted and found out that they had some people who were—well, I will tell you one example.

I was trying to help a lady in Tennessee to become involved with the Department of Transportation. We went into an agency to talk to the people and saw a sign on the door that said Women Business Services. We went down the hall trying to find this person, and finally talked to a lady who was there, and she said, "Where did you see this sign?"

We said, "Down the hall."

She said, "Oh, that's me."

Mr. PRICE. My time is limited. I would like to pursue this. I am sure it will be pursued later in the hearing. I do have just one further question with a slightly different focus.

Ms. Stacy, you refer to various trade missions that you have assisted with, and you refer, in passing, to a trade mission of Japanese buyers who came to North Carolina in 1986, specifically to search out products for import to Japan.

You do not elaborate on how that mission went or what the purposes were. Can you elaborate on that for the benefit of the committee—what form the Commission took and the role you were able to play?

Ms. STACY. Yes; I organized the entire trade mission on this side. I organized their meetings with Government officials in North Carolina, here in Washington as well, and meeting with business people who might be able to sell products, move products to them.

The mission went very, very well. They were impressed with North Carolina. They were disappointed in a couple of things. They were not able to find very many products other than agricultural products that they could import.

Mr. PRICE. Why was that? Can you explain that?

Ms. STACY. Yes; number one, the quality was not there that the Japanese were looking for in a number of things.

The other thing is in textiles; they were there with check books in hand to make big purchases of terry cloth. We called all of the major terry cloth manufacturers in North Carolina, and despite the fact that this was a group of, I think, about 15 Japanese buyers, they are ready to buy terry cloth. They were told that they could not see the terry cloth in North Carolina; that they would have to go to New York to the showroom to buy it.

The Japanese were appalled. They said the United States makes such a commotion about trying to export, and then you come over, and you try to buy, and you cannot even buy from them. This did not sit very well with the Japanese. Consequently, they did not buy the terry cloth.

They did make some purchases of agricultural products, and the process is open enough now that I am convinced that more purchases will be made.

Mr. PRICE. What sorts of agricultural products?

Ms. STACY. They were interested in fish, seafood primarily. They are also interested in perhaps starting a sea farming operation themselves in North Carolina, and I am working with them on that. They do not, of course, produce enough sea food, or cannot fish enough, and a part of that is because of the way we negotiated the fishing rights, which is fine for us. But seafood, and seafood products, and processing.

One of the things that they would be interested in is various types of seafood processing plants, and they are looking to North Carolina.

Mr. PRICE. Thank you very much.

Mr. Chairman, I appreciate your indulgence.

Chairman **LaFalce**. Thank you. I would like to point out that we have been joined by Congressman Charlie Hayes and Congressman Norm Sisisky.

We will go to our next witness, Ms. Margaret Hansson.

TESTIMONY OF MARGARET S. HANSSON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, M.S. HANSSON, INC., AND CHAIRMAN, PURECYCLE CORP.

Ms. **Hansson**. Good morning. Thank you for inviting me here, Congressman LaFalce, and the rest of you. I note that there are two Colorado congressmen. I am from Colorado, incidentally, and own a business there that also works nationally. We have two congressmen on this committee, Congressmen Ben Nighthorse, and Congressman Heffley. Also, thank you for Patricia Schroeder's welcome. She is a star in our firmament, women's causes, and a good friend of mine.

My major thesis is that we start small businesses, but we also grow businesses to very good and very large employers, and large taxpayers, and we do not just, or hope we do not just sit as small, little businesses that we are commonly thought to be.

I am going to say that I am a myth-buster. I am a myth-buster because I founded one, two, three, four companies as an entrepreneur. I built the first company from a garage, not in a living room. It was really in a garage where we were bending metals, doing riveting, and a lot of other things that are really not too hard for women once you just simply decided to look and see how it is done. It grew from 3 to 350 employees, two overseas ventures, publicly traded, and always profitable.

I have been listening to things from Ms. Stacy and Ms. Green this morning that I have been through. We have developed good exports. We have had some extremely profitable years in the export. Probably one of our largest accounts, other than Sears, turned out to be a Stuttgart account, and we feel that it took a lot of work to do this, and I would have to say here, parenthetically, that part of the problem is definitely us in the United States, rather than the barriers that are erected against it.

It has been so easy for us to gain business in our large markets that we really have not thought of the ease with which, or it has not been opened for us to do export easily.

There are some good Government programs, but that is an aside.

Chairman **LaFalce**. For so long we have effortless superiority, domestically and internationally, and now we are finding that we do not have superiority, and that competition is not effortless at all. We do what is easiest to do. We blame the opposition or the competitors rather than look at ourselves.

Ms. **Hansson**. Agreed that this statement——

Chairman **LaFalce**. Something that I have attempted to point out for——

Ms. **Hansson**. I had a secretary that would be of interest to Ms. Stacy who is a Ph.D. German professor at the University of Colorado, and she decided to work with me. She was really an assistant, as are all of my secretaries, because she needed to know what to do with her super language abilities. So, she was learning all of the business terminology, and methods of doing exports, and doing letters of credit, and all of the kinds of things that she needed to know, and subsequently went into being a German translator and a business expert in this field.

It is clear that I have lived long enough so that this expertise has gradually developed over a period of years.

I became a director of mutual funds, director of first a local bank, and then director of the largest bank holding company in Colorado; a director of four more publicly traded companies in completely different industries: Medical technology which exports; media; a national chain of children's day care centers; and water recycling.

I really understand business and its many ramifications. I am doing consumer products, high technology, and heavy industry. Boulder is in the center of a very fast developing high-technology area, and, as such, offers to many of us and many women if you can grab the opportunity to first start small in a garage or wherever, and go on to be a much larger company.

I know banking. I am a modern manager. I understand mathematics, engineering, and data processing, and I am extremely interested, as I have said, in the global economy.

If this sounds as though it is some sort of a paragon, I am not. If I were a man, I would be telling you a success story, but only one of thousands. As a women you often find it hard to believe that we have done all of these things.

But there are many of us myth-busters. Personally I know at least 300 of these. They are all members of the Committee of 200, which many of you have heard about. The Committee of 200 was formed when it began to——

Chairman LaFalce. The Committee of 200 is going to have to change its name.

Ms. Hansson. It has gone to 300. It really does need to. These are extremely interesting women with patterns of success and a whole litany of areas that I have listed here, but I will not go through it right at this moment.

This group was founded to put some money out to let the NAWBO, the National Association of Women Business Owners, get organized and going. We started in 1982.

Really, what I am saying is that we make thousands of jobs. We are contributing to the corporate culture of success and innovative companies. We care, we invent, we profit, we share, and we succeed. We might even do it in spite of all the barriers that are in front of us. I see it growing, and I see the women networking in helping each other, and it is just possible that they will make it without a lot of help. However, I do have a good number of recommendations.

My first company was Gerry Designs, which many people, women particularly, know. It was one of the best known trademarks in the juvenile industry that makes all the back carriers, almost all the back carriers for babies. In the front ones, they all have cute, little names like Snuggles, and Cuddlers, and things. The Gerry carriers are known worldwide, and I would say have the single most worldwide recognizable product.

I faced all of the same problems that most of the women here have faced in terms of banking, with insulting comments about going home and taking care of my family. Why do I not do something that is really going to make some money like get a secretary's job and so forth.

I am somewhat luckier than most. I had a uncle who was a president of Bankers Trust.

Chairman **LaFalce**. I would imagine that could be helpful.

Ms. **Hansson**. One of the things he did not do was lend me money. One of the things he did do was teach me how to approach bankers in a business-like fashion, how to do a business plan, what they wanted to know, and what would be impressive to a banker in spite of the fact that I was a women.

I think this kind of help is extraordinarily important, and I think that one of the recommendations that I would have is that this is one of the technical kinds of assistance that should be set up for women. This would, of course, apply to minority, any kind of group that is facing obstacles.

I have sold almost all the ones I have been involved with at a certain point since I reach a point in entrepreneurism when I really do not want to deal with the growth of the shelf space of an item, or trying to push it beyond somewhere to $3 to $5 million in sales. I find it more interesting to start with the next company.

But one that I have stayed in touch with a long time and is becoming a very, very important part is called PureCycle, and PureCycle is probably going to be one that you hear of very importantly in the next 10 years and certainly into the next century. It has processes for recycling water completely.

In the West, we think about this as water shortages. In the East, there are places where you have no place to put the water, especially if it is dirty. They are call septic systems, all kinds of systems like sewage and so forth. We have systems for completely recycling this water which gives you a source of water and a place to put it.

This also has the ability to cure lots of contaminations that are stack gases and various kinds of real hazardous substances.

What I am really saying here, again, is that this started as a very small business. It is publicly traded now. It probably will have, if our business plan is realized, $100 million in assets by the end of this year, by January 1, and it will make jobs. It will be an important importer of capital into Colorado that we will make use of, and it will be an exporter.

Therefore, I am saying that we are of basic importance to this country's economy.

[Ms. Hansson's statement may be found in the appendix.]

Chairman **LaFalce**. Thank you very much, Ms. Hansson.

Ms. **Hansson**. You are welcome.

Mr. **Sisisky**. Mr. Chairman.

Chairman **LaFalce**. I am afraid we are going to have to recess.

Mr. **Sisisky**. Yes; I know we have to. But I cannot come back, because we have a little bill on the floor that I played a part in developing for $300 billion.

But I would just like to reiterate that almost every witness testified today that export is that area that we need to approach, and I would remind the chairman that I do have a bill that may offer some incentive. I put a bill in that was developed in the White House Conference, which is designed to stimulate small business export.

Ms. HANSSON. We used to have something called DISC that was great for small business. It was somewhat subverted by very large businesses, but it was very helpful to our company.

Chairman LAFALCE. Very good.

We are going to have to recess. We will come back in approximately 10 minutes or so. I would encourage whoever can to come back and advise other Members. Our next witness is Ms. Charlotte Taylor, and she directed the Presidential Task Force of Women Business Owners for a number of years, and has conducted a study that I think will be especially interesting to the Members. So please try to spread the word to our other members of the Small Business Committee, and we will look forward to hearing your testimony, Ms. Taylor.

[Recess.]

Chairman LAFALCE. The Small Business Committee will come to order.

Our next witness, with rather extensive testimony, is Ms. Charlotte Taylor. Charlotte.

TESTIMONY OF CHARLOTTE TAYLOR, PRESIDENT, VENTURE CONCEPTS, WASHINGTON, DC, AND FORMER EXECUTIVE DIRECTOR OF THE 1977-78 PRESIDENTIAL TASK FORCE ON WOMEN BUSINESS OWNERS

Ms. TAYLOR. Thank you, and good morning, and thank you for inviting me here. I will deviate from my testimony in order to make this brief.

Chairman LAFALCE. We will put the entire text of your testimony in the record.

Ms. TAYLOR. OK.

Chairman LAFALCE. You may abbreviate and make it brief, but please do not omit anything particularly important.

Ms. TAYLOR. I certainly will not do that.

My name is Charlotte Taylor. I am the president and chief executive officer of Venture Concepts, a Washington, DC-based management consulting firm which specializes in economic development and small business policy.

I was asked to testify here today for two reasons, basically. One is to provide a historical perspective on this very important issue, and the second is to provide a current perspective on what is happening nationally in terms of the status of women-owned business enterprise in the United States.

The historical perspective comes from the fact that I directed the first task force that looked at this issue in 1977-78 when people were still saying, show me a women business owner. I had never seen one. That task force was established by President Carter and led to the current national policy that exists in Executive Order 12138 which set up the framework that is now operating in the Federal Government.

Chairman LAFALCE. That Executive order is still operative, correct?

Ms. TAYLOR. Yes; it was put into force again by President Reagan, re-signed, but Carter did establish it initially.

Chairman LAFALCE. So, theoretically, we still do have a national policy for women business owners; is that correct?

Ms. TAYLOR. That is correct.

Chairman LAFALCE. That is supposed to be implemented.

Ms. TAYLOR. That is correct.

Chairman LAFALCE. Whether it is implemented or not is another question for——

Ms. TAYLOR. That is the subject of these hearings.

Chairman LAFALCE. Yes.

Ms. TAYLOR. So, there is a policy. We, as women business owners, feel that it is dormant at best, and has not been implemented in the fashion that was intended.

Chairman LAFALCE. I said dormant. Somebody said asleep.

Ms. TAYLOR. Right. I have attached the recommendations of the task force to my testimony, which numbered over 60 in 1977-78, for your use in questioning the Federal sector when they do appear before the hearings.

Chairman LAFALCE. That is going to be very helpful.

By any chance, has anybody such as yourself or anybody else attempted to give a score card rating on the various recommendations?

Ms. TAYLOR. No; not that I am aware of.

Chairman LAFALCE. Well, that might be an interesting assignment for some group. It is certainly something that we should be interested in.

As a matter of fact, I think it would be an excellent idea if we asked the Federal Government to give us a report card on how they accomplished all of those recommendations, but it might also be a good idea if the private sector gave us their own independent report card so we might compare. There might be different grades.

Ms. TAYLOR. True.

The task force developed those recommendations after over a 9-month study that included all eight agencies. So, they were well thought out a decade ago.

I am sure you will find that if work has happened at the Federal level, it has been surface at best, and window dressing without major action.

The current perspective, which is the real reason I was asked to testify here, is that my firm, Venture Concepts, performed last year the first nationwide study, the first look at the subject of what States and cities were doing for what we saw was a very important economic development issue.

At question here was if women were streaming into business ownership at two times the rate of men—sometimes you hear five times, depending on the year—if we were starting enterprises at an incredibly high speed, what were State and city governments doing to channel this entrepreneurial energy into job creation, tax revenues, and economic prosperity.

The study was funded by the U.S. Department of Commerce's Economic Development Administration. It spanned over 11 months, and we looked at every State and over 100 cities. We were only funded to look at 50 cities, but we found so few programs that we extended the program to try to see if we could get a more comprehensive look at what was happening out in the State and city level for women business owners.

Quite frankly, Mr. Chairman, the story we found was different than the one we expected. We expected, given the high visibility to the subject of women as the new entrepreneurial wave, as the new immigrants, if you will, who are taking to the streets to risk their fortunes for the rewards this country can present. We expected to find a great deal of action at the local, city, and State level given the current philosophy of decentralizing programs to that level.

We found something vastly different. We found that, indeed, women were almost invisible when it came to public policymaking at the State and city level.

The pivotal finding of the study was the surprising degree, if not an amazing degree, to which there were no programs for women business owners that specifically looked at the barriers they face and tried to look at creative mechanisms for helping them overcome those barriers.

While it is true that many State and city governments have now awakened to the fact that small businesses and not smoke stacks create jobs, what we found was that when they looked at small business they did not define a women as being in that population despite the fact the figures show we own 25 percent of Main Street U.S.A., and will own 50 percent later.

We found three major findings.

One, there was relatively little action at the city and State level, which is one of the reasons I think it is important for the Federal Government to take a role.

Second, where the programs did exist, they were poorly funded. I will not even say poorly designed. I will say they were not designed at all to overcome barriers that women address, some of the ones you are hearing here.

Last, but most often, they were viewed as affirmative action programs and social cause programs, not as an economic development issue. I think if one message comes out loudly through the message we are bringing at these hearings is that we, as women, want to be viewed as an economic development issue that just happens to be female, and that we believe that we are caught in——

Chairman LaFalce. Well, I suspect there is some difference of opinion about that. I have listened to witnesses whose emphasis is primarily affirmative action, and some whose emphasis is something else. Now these are not exclusive one to another. They are all complementary, but would lead down different paths, too.

So, you are suggesting economic development should be the primary thrust of any Federal policy.

Ms. Taylor. Well, what we are dealing with is, unless we have affirmative action, we cannot get in the economic development ballpark. In this sense of the economic development, policymakers are not viewing women who are over here. So, they are linked.

But we found, and the U.S. Conference of Mayors studies on minority programs found also, that the better programs at the State and city levels existed where they were integrated with economic development strategies, but not over in an office of civil rights, let us say, as an affirmative action goal program.

So, what we are looking at is, how can you creatively create policies that will create affirmative action mechanisms that will then move women into becoming more of an economic development force? I believe that is what I am trying to say, if that clarifies it.

Chairman LaFalce. All right. Please proceed.

Ms. Taylor. Where the programs existed, as I said, we found that few were designed for women business owners, and that, in the sense of overcoming barriers. The two key barriers that women mention over and over again is access to capital, and technical assistance.

We found almost no programs designed that would give a woman access to capital, and relatively few technical assistance programs that provided the kind of sustained hands-on technical assistance of the type that Kathy Keeley mentioned yesterday where you are actually helping the woman get the business launched.

It is true that there are plenty of workshops. There are plenty of 1-day how to start a business, but no one is addressing the critical issue of how do you grow a business, how do you get this business into the economic mainstream.

There were a few States that were doing that. Your own State, New York is one of those. But for the most part the approach that was being taken to the women business ownership effort was to print a brochure and say, here it is.

As a research team, we found one of the hardest problems was to find the information. We had researchers looking for the Office of Women Business Owners, and it would often take us three to four phone calls. We figured that was not a very visible or effective women-owner business program even though the State or city called it that way.

Oftentimes, as a check, we sent letters to Governors and mayors stating that we had found there was no program, and we get conflicting information from the Governor or mayor as to the existence of a program from the program people. So, there was, to put it mildly, a little bit of confusion as to whether programs did exist, and if so, what they were.

In large part, we found that there were no substantial programs for women business owners. Only five States—Louisiana, Illinois, Michigan, New Jersey, and Ohio—had programs specifically targeted to women business owners, and the rest of the States, there were 17 others, attached women business owner programs to existing programs for small businesses or minorities.

Only 1 city out of the more than 100 we looked at had a specific program targeted to women business owners. However, there were 21 cities that had some kind of affirmative action program.

Of most interest to you here was the high degree to which procurement drove the women business ownership programs at the local and State level, and the high degree to which Federal policy was linked to those procurement policies at the State and Federal program.

I mention that today, because I want to emphasize the impact that Federal policies have at these State and city levels in terms of the types of programs that are being created.

As you are aware, masses of moneys are spent by the Department of Transportation, highway construction, environmental protection, urban redevelopment. Moneys flow to cities and States to carry out and implement the programs that the Federal Government needs.

What happens is we find that the criterion, rules, and regulations that the Federal Government sets are then mirrored in the State and city procurement programs. Procurement was, by and far, the largest, most prevalent program we found. All 21 of the city programs that we found were procurement programs and offered very few other services outside of certifying, monitoring, and enforcing procurement regulations to women business owners who might be trying to access that system.

The same emphasis on procurement held true at the State level where we found that over half of the 22 programs for women business owners had a procurement component.

Chairman LAFALCE. When was your study conducted?

Ms. TAYLOR. It was finished in October of last year.

Chairman LAFALCE. When did you start?

Ms. TAYLOR. We started it in December the previous year.

Chairman LAFALCE. I wonder if it was at all influenced by the fact that women became eligible as of January 1987 for the 10-percent minority set aside in surface transportation.

Ms. TAYLOR. The procurement aspect of it?

Chairman LAFALCE. Yes.

Ms. TAYLOR. No; these were programs that had been in place before. In fact, the major portion of the research was conducted up until March, and then we did field visits for the rest. So, most of these had been in place, though I do think that act will have ramifications on all of this.

We found, as I was saying, that there was little evidence that they were working well. Indeed, what we found was that procurement programs were being used as a red herring to show that a State and city were doing something for women business owners when, in fact, relatively few women knew about the program, or were provided with technical assistance that could allow them to access the program.

This situation is not dissimilar to the Federal Government where the majority of the emphasis is on teaching us that the market is out there, but not giving us the skills and helping us learn how to access it, or working with the system to make access easier.

What also surfaced in this effort was the degree to which lumping women business owners with minority business owners is a disservice to both sectors. Often, the women business owner program was added to a minority program, and it was overshadowed by the efforts for minorities that were already ongoing.

If anything surfaced in our interviews with State and city officials, it was not only the lack of commitment to the intent of such women business owner targets, but the degree of skepticism and resistance which existed in allowing women to have an equal opportunity to compete even in targeted programs that said when business owners had goals.

A prevailing assumption appeared to be that the majority of women-owned businesses are not legitimate. At first I thought that they were just talking about husbands in this sense, and I would say, well, that excludes the 50 percent of us who are not married. But, no; we could have fathers, brothers, sons, and lovers. So, the issue is that until the front issue is dealt with, we will be locked out of the procurement market.

The second assumption was that women business owners were not technically qualified to perform the work.

The last assumption was that we were not in the goods and services that the governments needed.

I think if you have heard the types of businesses women are in today, that assumption is a myth. The Government buys everything from pencils to planes, and we do not just make pencils; we also make planes now.

In some cases, it was even stated when there was a program that included women with minorities, that there was less active outreach and assistance to women than for minorities because of the belief that minorities needed programs more than women.

We do not, as women, want to get into a "who needs anything most." We think that this is an economic development issue; that there is talent out there that is not being utilized. But what we do not want to have is for people to pit us together against each other so that all we both do is lose.

In general, it appeared that as much time was spent in certifying women out of programs than in trying to find qualified women to get into programs. I do not believe this is much different than it is at the Federal level as well. Certainly, little or no attention was given to programmatic responses of how you solve problems of bonding, how you work with cash-flow problems and slow payment, how you teach people to be involved in the bid process, and how you can outreach and educate people so they can have access to the considerable amount of contracting that is done at the Federal, State, and city level.

Certainly, two of the key issues that appeared and places that I do believe there is serious need for Federal guidance is the need to deal with this question of community property laws in States, and also one that I had never heard of before until I took to the field interviewing, which is the impact of commingled family funds on ownership of a business.

In some places, a woman who owns 100 percent of her business and operates it daily could not be certified as a legitimate WBE because she had not put her own money, sole money in to buy the assets of the company.

I would point out that the majority of American families commingle their incomes and certainly have joint checking accounts, and it is difficult at best to distinguish who owns what in American families.

Such strict interpretations severely limit the ability of married women in the United States to participate in the procurement system, and the intent was not to keep out women who live or are married to men, but to keep out fronts who were not legitimate businesses. I think that we have taken this front issue to a degree, quite frankly, that is sometimes ridiculous.

Yet, procurement programs can work with a proper commitment. Cleveland's program, which was an FBE program and not mixed with minorities, did an outstanding job. They set a goal for $3 million for 1986. They exceeded that goal for $5.5 million with not too much difficulty. This was totally different than the story I got from people who were saying how difficult it was to meet women business owner goals, usually which are set at the 2-percent level, not the 16 percent that women——

Chairman LAFALCE. Ms. Taylor, what laws are we talking about that women business owners could be fronts for? What are the laws that would be operative?

There is no Federal law, to my knowledge, is there?

Ms. TAYLOR. There is a Federal definition to use to determine legitimate women business owners, and that definition is 51 percent-ownership, and owned and operated by women.

Chairman LAFALCE. For what purpose? I mean for what program?

Ms. TAYLOR. For procurement programs and procurement goals. That is to make sure that there is, I will call it a "legitimate chief executive officer" operating the business.

The issue that has come about is how the regulations are interpreted in terms of looking at ownership and looking at control and management. In some cases, if you own a painting contracting firm that paints bridges or something like that, there is the question of have you ever painted a bridge in terms of the operating and control issue, and then the control of assets is the issue on who funded the actual capital to start the business that makes the 51-percent ownership.

But what we are talking about is the 51-percent ownership is for the few percentage of women who do not own 100 percent, and many women own 100 percent of their companies.

As I was saying, there are programs that do work. I pointed to Cleveland's as an example of one that works. We found a need for more recognition of the importance of the women business owner's contribution to the economy.

The latest data we had was 1982, which only looked at sole proprietorships, and which indicated that women-owned businesses generated $98.3 billion revenues.

Today, the level is probably closer to $100 billion, and if we take the impact of what that dollar does in the local economy, we estimate that the actual contribution of women-owned firms equals $250 billion a year in national income.

Of the $250 billion, if you use the ratios that normally go for Federal and State taxes, about $37 billion is paid to the U.S. Treasury in Federal taxes, and an estimated $13 billion to local and State governments.

With that kind of economic implication at hand, and these are not counting corporations. These are just counting sole proprietorships. My question to the committee is, is it not a good investment to spend some of that money that we are ourselves generating in the types of programs that are needed to help us move up the entrepreneurial curve into bigger and larger businesses?

I think I would like to close with saying that the question at hand here is not a question of funding programs, but really making an investment. If we could look at the funds that are utilized to stimulate women business ownership as an investment in a capital resource of this country, which happens to be female, and look at the return on investment, I think you would find it is good business for the country, and I think that the time has come that somebody looks at it as a business issue.

Thank you.

[Ms. Taylor's statement may be found in the appendix.]

Chairman LaFalce. Thank you very much, Ms. Taylor, and I thank all the panelists for their fine contribution. I am only going to ask a few questions. Unfortunately, the Banking Committee is having a meeting right now, and we are considering changes, and I really should be there, too.

Ms. Taylor, you gave, primarily, a synopsis of the report that you prepared for the EDA. When will that be issued?

Ms. Taylor. The fact sheet is available, and the report will be available next week.

Chairman LaFalce. Next week.

Ms. Taylor. The entire report, which is a directory of programs.

Chairman LaFalce. This is a bit of a preview then of that report.

Ms. Taylor. Right.

Chairman LaFalce. Fine. But most of your testimony dealt with that, and I was very interested in it. But if you would go back to your position as director of the task force on—what was the title of it, Women Business Owners?

Ms. Taylor. Right.

Chairman LaFalce. Or Women in Business? What was it?

Ms. Taylor. Women Business Owners, President's Interagency Task Force on Women Business Owners.

Chairman LaFalce. Right. And look at the national policy for women business owners, would you have any assessment right now of where we have fulfilled the promise, fulfilled the charge, or where we have been most grievous in not fulfilling the promise and the charge?

Ms. Taylor. I would say that, if anything, it is a broken promise; that there has been surface effort. The original funding at the SBA and the position of the Women Business Ownership Office was at a much higher funded level, and a much higher programmatic level than it currently is.

Chairman LaFalce. At one time there was a set-aside of a certain dollar amount of guaranteed loans for women business owners.

Ms. Taylor. No; that program was done away with. It was a miniloan program that would allow the lower amounts of money that went in without collateral. If I can run through the areas in the recommendations.

Chairman LaFalce. Sure.

Ms. Taylor. In the area of data assessment, we called for serious data collection on the subject of women business owners that would correct for the undercounting of our effort in the economy, because it is limited to sole proprietorships. That has not seriously been dealt with in terms of it.

The question of seriously collecting and monitoring goals and performances of Federal agencies, I believe, has not been done in a way that is affirmative-action oriented rather than just data collection.

The Interagency Committee on Women Business Owners did not meet for a long period of time, and you can question them on the number of reports that they have done. I believe that they were required to report to the President every year.

This is off the top of my head. I have not made a study of this.

Chairman LAFALCE. Surely.

Ms. TAYLOR. And off the bottom of my heart as well, as you can see. We directed the Women's Bureau of Labor to be a clearinghouse. We made recommendations in the area of education, so that little girls in America could grow up knowing that this was a viable career, and that we would not have these problems later.

We made specific recommendations in management training and technical assistance, and some rather formidable ones in credit and capital formation. Let us just say that nothing in the credit and capital formation has happened at all. It has only been under the direction of Congress in trying to get this legislation passed that we have begun to get some movement in the area of capital.

Under marketing and procurement, which I know is the area that you are most interested in today, if you look closely at the statistics that come out on not the dollar volume of contracting, as it has grown but the population of women business owners has grown, you will notice that the proportion grew heavily after the task force put in the Executive order and then it decreased.

I think that is an indication that monitoring and persuasion, if we can say, has not come on, and certainly no creative programs have been done that can help women get into this.

We are 10 years later, and I want to point out that. Many of these recommendations may not be relevant today. What we are looking for is a new look at creative and innovative solutions, so that we can move forward and move women into the economic mainstream.

I think that it is time, as Ms. Rudd pointed out, for a new serious look at the ways that this can happen. I think that since Congress, and actually this committee, led to the first task force on women business owners, that it would be a service to the country as a whole, and to the women business ownership community, and, certainly, the minority business ownership community if it could implement more thorough thoughts and recommendations that we could bring forward to the new administration in January, be it Republican or Democratic.

The issue is an important issue for the country, and the reason that we have come to Congress with it is just because of that, that there has been no action at the Federal level.

Chairman LAFALCE. Let me clarify a few things. There was a task force on women business owners in 1977 and 1978, and you directed that.

That differs from the interagency task force, does it not?

Ms. TAYLOR. Right.

Chairman LAFALCE. What was the difference between the task force on women business owners and the interagency task force?

Ms. TAYLOR. The task force on women business owners was a study commission that was mandated for a short life to look at the barriers and to come up with recommendations, and we went out of business once there was a report.

Chairman LaFalce. Mandated by what?

Ms. Taylor. By the President. It was a presidential commission signed into law or whatever, created by President Carter.

Chairman LaFalce. OK.

Ms. Taylor. It was to look at the issue of why there were so few women business owners, and what we could do to stimulate the economic resource, and to identify if there were barriers, which we found there were, and to identify recommendations to overcome barriers. If you remember at that time, we had a woman Secretary of Commerce, Juanita Krepps. It was Secretary Kreeps' suggestion.

Chairman LaFalce. These recommendations that you are referring to are the recommendations of that task force?

Ms. Taylor. That task force.

Chairman LaFalce. As opposed to the interagency task force.

Ms. Taylor. The presidential task force. One of the recommendations of the presidential task force was that there be an interagency task force which would be mandated to be the oversight mechanism to make sure that the agencies carried out the plan.

Chairman LaFalce. Did you direct the interagency task force? Were you the executive director of it?

Ms. Taylor. No; I am purely the task force.

Chairman LaFalce. Fine, good.

The presidential task force as opposed to the interagency led to Executive Order 12138, which has been repromulgated by President Reagan, and that created a so-called national policy for women business owners.

Ms. Taylor. Yes, sir.

Chairman LaFalce. Now, is there a document entitled the National Policy for Women Business Owners?

Ms. Taylor. I believe that is usually referred to as the Executive order.

Chairman LaFalce. The Executive order and the national policy are one and the same document?

Ms. Taylor. I believe so. You could ask whether SBA has a national policy written. But the Executive order instructed the agencies to do certain things.

Chairman LaFalce. Did the Executive order encompass some of the recommendations of the task force, and in a certain sense supersede the task force?

Ms. Taylor. Yes; the Executive order created the interagency committee as an ongoing operating mechanism to make sure that the recommendations were in place. It set goals and targets for Federal agencies.

Chairman LaFalce. Is this interagency task force charged with the responsibility by the Executive order of issuing reports periodically?

Ms. Taylor. I believe that they are required to do a report once a year to the President.

Chairman LaFalce. Have you seen any reports, or have there been any reports recently by this interagency task force?

Ms. Taylor. I believe that there have been none up until recently. I could stand corrected by SBA.

[Pause.]

Chairman LAFALCE. Only one has come to our attention apparently, and that was after we made it known that we were going to have these hearings. That was a quick eight-page report. Apparently, nothing preceded that for the past 8 years. Now that may be inaccurate. But if it is inaccurate, the burden of presenting those reports is on the preparers of the reports.

I am curious. If I were to contact GAO and ask GAO to render a report card, what would be the basis of that report card? Would it be recommendations of the task force, or would it be the implementation of the Executive order; if I were to ask GAO to make a study of the progress that has been made over the past decade, what would be the most appropriate yardstick to use for the GAO report card?

Ms. TAYLOR. Well, I do think that these recommendations were well thought out by the interagencies 10 years ago, some of them.

Chairman LAFALCE. You were director.

Ms. TAYLOR. There was an interagency committee of Assistant Secretaries who actually did it, who came up with the recommendations. I was merely staff director.

Chairman LAFALCE. Who was on this task force?

Ms. TAYLOR. It was at the Assistant Secretary level of the major agencies that impacted on women business owners. I am not sure that I can remember all of them, but the Department of Commerce, HEW, DOD.

Chairman LAFALCE. The interagency task force was the successor to that task force.

Ms. TAYLOR. Right.

Chairman LAFALCE. So, it is almost one of the same.

Ms. TAYLOR. Right. So, I would think that the recommendations would be a good starting point. I think that what you want to query on carefully is was the program ongoing. What we are talking about here is not just a one-shot conference, but a philosophical commitment to the issue, and how you ask questions in that way.

Chairman LAFALCE. We are going to take a look, and I have not done it yet, at the Executive Order 12138, and see if that might be a good yardstick. If that is the national policy, let us see if GAO can do a study of how that national policy has been implemented. But we will take a look at it and make a comparison to see what would be an appropriate yardstick.

Ms. TAYLOR. Excellent.

Chairman LAFALCE. Representative Hayes.

Mr. HAYES. Thank you, Mr. Chairman. I just want to commend you first for having put together this hearing on this very, very troublesome problem of women entering into business. I do not see too many of them listed in the Fortune 500 publication. Unless we change our course, that will not happen.

I am a supporter of programs to assist the development of women-owned businesses. I am conscious of your time, Mr. Chairman. The testimony that I have heard from these witnesses has been invaluable to me, both interesting and informative. I, too, have a time problem. I have to leave. You know how we get jammed with commitments.

Chairman **LaFalce**. I know that you have a time problem. But if you do not talk about the 10-percent set-aside and surface transportation, you are not going to be happy.

Mr. **Hayes**. I have to talk about some of the testimony that I have heard here. There have been some troublesome developments recently in relation to Federal contract and policy. Adding to women and minorities as a single Federal contracting goal has caused considerable trouble in the Federal highway program.

What you have said here goes beyond this Federal highway program. Particularly as it relates to the improvement of the Federal highway in Chicago.

I would like to know what are your views on the probability of separate goals for Federal procurement for women and minorities.

I noticed, Ms. Slater, that you said quite candidly, I think, if I understand it, on the fourth page of your testimony, I think in the sixth paragraph. First you start off by saying, "Women make up the majority of the population. Therefore, women should not be considered a minority group." But then you go on in the next paragraph and say, "Minorities and women business enterprises should be kept as separate entities with separate goals to be outlined in each contract and/or a statement of intent for each agency's goals."

Could you elaborate on that. Because in this situation that I alluded to in relation to Chicago, aside from the fact that women period have been short, we find out that white women have been used as fronts in order to satisfy the minority compliance request. We find no black women being awarded any contracts or subcontracts or anything at all.

Do you think that this would change with your suggestion?

Ms. **Slater**. I do. I think that would give everyone a fair chance. Women would not be infringing on goals set for minorities, and women would also have their slice of the pie. I really believe that if they cannot put it in one contract, then there should be some kind of overall agency goal, a dollar amount.

If there is going to be $10 million worth of contracts given out, then a certain percentage should be going to women business owners, and a certain percentage should be going to minority business owners. Separate, not thrown into the same pot.

As a black woman, and I say black woman because nobody ever calls me woman black, because they see that I am black first. So, if it came down to a choice, if a majority firm had to use someone, if they had a choice between a woman business owner and a black woman business owner, they would take the white woman business owner.

It is mere fact. It is just the way that it is. Until that changes, maybe you can group us all together. But as long as it is not going to change. It is just like if I came into an office. If I walked into an office, the receptionist would go and tell her boss that there is a black woman here to see you. If another woman came in, there is a woman here to see you.

This is a fact, and this is how people think, and we cannot change how people think right now. It is not going to happen in our lifetime. So, I really believe that there should be some kind of separate goals in there, instead of throwing them into the same pot and pitting them against each other, and giving legitimate woman business owners a chance at the surface transportation money, and legitimate minority business owners a chance.

I have done a lot of transportation work. I would say that about 95 percent of my work is transportation now, because of all of the moneys that are out there. I do a lot of work for New York City Transit, New Jersey Transit, DOT for the State. I had no problems, up until I just got notification that DBE's and women would be considered minorities also in the same pot. Before, there was always a separate goal. It was either 5 percent for women.

Mr. HAYES. In the RFP?

Ms. SLATER. Yes; it came in one of my RFP's. I knew this to be, but they put it on the front page of the RFP from the MTA last week. They clarified it.

Mr. HAYES. Ms. Taylor, you mentioned, too, this whole problem. Do you share the opinions that have been expressed?

Ms. TAYLOR. This is my personal opinion. I do not know the opinion of them on this, but yes; I do. I believe that separate tracks create better programs. I think that there is no question that there is racism in the country. In what we are highlighting here, there is also sexism. And that they are different things, and need different mechanisms to accomplish goals.

Mr. HAYES. Have you got any suggestions that might be helpful for us to rectify such things?

Ms. TAYLOR. I feel, as Ms. Slater said, the idea of separate goals. I also feel that there needs to be separate track advocates, because I do not believe that minorities know how to outreach to women business owners. Not because they do not want to, but we are in different segments of the population. I think that there has to be serious monitoring of it.

Mr. HAYES. How many employees do you have?

Ms. SLATER. Twenty altogether.

Mr. HAYES. Thank you, Mr. Chairman.

Ms. SLATER. Which is considered a medium-sized engineering architectural firm.

Mr. HAYES. I notice that you talk about the separation, that a regular list of engineers and architects are placed on a minority list, and that is tantamount to a black list.

Is that what you are saying?

Ms. SLATER. Yes.

Mr. HAYES. All right.

Ms. SLATER. It is a good pun, but it is not fun.

Chairman LAFALCE. Ms. Slater, let me ask you a question.

How do you feel about that Federal law that came about through the Armed Services Committee under the Small Business Committee jurisdiction that imposes a limit of, I believe, $85,000 on the amount of architect and engineering contracts that can be set aside for small business. It is right now the only operative law that limits by dollar amount the contracts that can be set aside for small businesses.

Ms. SLATER. I think that I touched on that also in my testimony. I do not like it at all. My father started this firm back in 1969. I can tell you who the black engineers and architects are in New

York. I can just name them. There are not that many, that survived any of this.

Some of them have built up. The one firm comes to mind, E.W. Finley. He was a very progressive man. This man went walking all over the country. He has built up his firm to a very large size, and he is doing a lot of work down in Atlanta. He has an office here in Washington, and one in Boston. He was doing a lot of good work, and he was doing work as part of the minority set-aside.

Now, when they put this dollar value on him, he had to cut his staff, and he lost a lot of work. They were pulled out. They do not need him anymore. He had to cut his staff.

Like I said, minorities hire minorities. Of my 20 people, they are all minorities. Whether they be Indians, or Chinese and other Asians, black, or Hispanics. This is what makes up my firm. I had one Caucasian engineer, who did not come with us when we moved, because he is in a wheelchair. I guess that in some sense that you could say that he is a minority. Nobody wanted him either. This is who we hire.

Back to your question about things, I see another firm, Leroy Calender. He moved up very well and had a nice-sized firm going for him. He has cut his staff by 30 percent, because of the dollar amount put on the work. Just like myself. I am now getting a lot of transportation work, because it is sought after.

I would like to make another point. One of the reasons that I started Hill-Slater as a paraprofessional firm was because of the outrageous cost of liability insurance. I think I mentioned that as a subcontractor that I have to carry the same amount of insurance as my prime does, but I am not treated the same.

Chairman LAFALCE. All right. Thank you very much.

Do you have any further questions, Congressman Hayes?

Mr. HAYES. Do you have trouble getting liability insurance and bonding?

Ms. SLATER. No; we do not bond in my business.

Mr. HAYES. You do not have a bond.

Ms. SLATER. We have never had a claim in almost 20 years of operating the business. It just went up, because it went up, and we were caught in there.

Mr. HAYES. Thank you, Mr. Chairman.

Chairman LAFALCE. Well, thank you.

I want to thank all of the witnesses. We will be having further hearings on the entire subject of the problems and the potential of women business owners in future weeks. I thank you very, very much.

[Whereupon, at 11:15 a.m., the committee was adjourned, subject to the call of the Chair.]

NEW ECONOMIC REALITIES: THE ROLE OF WOMEN ENTREPRENEURS

TUESDAY, MAY 10, 1988

House of Representatives,
Committee on Small Business,
Washington, DC.

The committee met, pursuant to notice, at 10 a.m., in room 2359-A, Rayburn House Office Building, Hon. John J. LaFalce (chairman of the committee) presiding.

Present: Chairman LaFalce; Representatives Hayes, Bilbray, Lancaster, Martinez, Hiler, Slaughter, and Meyers.

Chairman LaFalce. The Small Business Committee will come to order.

Our hearing this morning is the third in a series of hearings on the special problems facing women business owners.

The desire to seek economic independence by starting one's own business is not limited by gender. The ability to achieve this goal, however, is often dependent upon factors unrelated to entrepreneurial skill.

Equality of access to business credit is vital for business formation and development, and in spite of advances in achieving equality of opportunity, women still face subtle discrimination in credit transactions for subjective reasons unrelated to creditworthiness.

The Equal Credit Opportunity Act of 1974 prohibits discrimination in credit transactions on the basis of race, color, national origin, sex, marital status, or age. While we have achieved moderate success in providing equal access to consumer credit, women business owners insist that a business exemption from key provisions of the ECOA for business and commercial credit has created a climate in which discrimination is likely to occur.

Access to capital has often been cited as one of the two most vexing problems of women-owned small businesses. The second is management and technical training. Many such businesses remain dangerously undercapitalized. Our hearing today will examine this issue as we seek to remove barriers to the achievement of commercial success for women and for all sectors of the small business community.

Our witnesses today include two small business owners whose stories will illustrate the particular problems women face in seeking business loans. We will also hear from Ms. Barbara Gentry of the Department of Commerce for the State of Michigan, and from Representative Lindy Boggs, who is well known and respected for her tireless efforts on behalf of women who seek the American Dream.

Are there any statements the other members have?

Mr. BILBRAY. I have one I would like to submit for the record.

Chairman LAFALCE. So ordered.

[Mr. Bilbray's opening statement may be found in the appendix.]

Chairman LAFALCE. I have a statement from Senator Carl Levin, who would have liked to testify, but cannot. He asked that we submit his statement in the record. Without objection, so ordered.

[Senator Levin's statement may be found in the appendix.]

Chairman LAFALCE. Before we call the entire panel, I thought it would be appropriate to have as our lead-off witness, Congresswoman Lindy Boggs of Louisiana.

Lindy, I assume you would like to testify and then go to your other business, as opposed to remaining with the other members of the panel.

TESTIMONY OF HON. LINDY (MRS. HALE) BOGGS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF LOUISIANA

Mrs. BOGGS. I am happy to testify as you wish. I am grateful to you and all the members of the panel for allowing us to have this hearing today. It is an extraordinarily important hearing.

Not only am I here to express my personal appreciation, but also that of the Congressional Caucus for Women's Issues, for your leadership in holding this series of hearings to focus on the problems, successes, and prospects of women who are, or who seek to become, entrepreneurs.

As you well know, entrepreneurial enterprise has long been much admired in our society and has represented a key component of our Nation's economic vitality.

The burgeoning entrepreneurship of women represents an important national resource. I commend the members of the committee for your recognition of this source of new dynamism and for your commitment to examining ways in which Government can constructively assist women entrepreneurs and remove impediments to their success.

Problems with equal access to business or commercial credit have been identified as a key area of concern by the National Association of Women Business Owners, other organizations concerned with women in business, and individual women business owners.

It is a distinct honor for me to address that subject today and to speak in support of legislation introduced by Chairman LaFalce which is designed to clarify the application of the Equal Credit Opportunity Act to commercial transactions. I have been pleased to work with and support you, Mr. Chairman, in this legislative effort.

Chairman LAFALCE. You have done more than support me in that effort. You have led me in that effort, Mrs. Boggs.

Mrs. BOGGS. The Congressional Caucus for Women's Issues has included the bill, H.R. 1897, in the Economic Equity Act, a package of legislation which constitutes the Caucus' legislative focus.

You will be hearing, this morning, from others who will shed considerable light on the nature and extent of the continuing problem of discrimination against women in commercial credit transactions. Because we lack reliable statistical information about credit problems of women, it has been difficult to document the extent of the problem.

Evidence has been largely anecdotal, but we have some statistical evidence, especially that obtained by the National Association of Women Business Owners when they conducted a survey of their membership in 1985, which indicated that two out of five respondents felt that they had been the victim of discrimination when applying for commercial credit.

Three out of four women who responded had applied for some form of credit within the past 5 years, and one of every three was denied credit. The SBA sponsored a study of women entrepreneurs, but, unfortunately, it focused on well-established businesses and ignored the important area of concern: Credit problems of young businesses and would-be entrepreneurs.

Difficulties in credit access for women in those categories were found and studied by the SBA's Task Force on Women's Business Enterprise in 1978 and 1979 and published in an important volume entitled: "The Bottom Line: Unequal Enterprise in America."

Mr. Chairman, I have to tell you and other members of the panel that I have some strict notes from my staff saying I can't give away these copies, because they are the only ones we have. But it was this important document which led to the establishment of an autonomous Office of Women's Business Enterprise within SBA and to the establishment of a miniloan program, among other initiatives, specifically in response to access-to-credit problems.

Those initiatives have been almost entirely eliminated since 1981. The majority of women-owned businesses tend to be service based and lacking sufficient collateral to secure a loan. Our economy has become more service based and lenders have had to adjust. Yet, individual savings are the major source of capital for women entrepreneurs and joint savings of husband and wife rank second, according to the Women's Equity Action League.

The Census Bureau finally issued 1982 data on women-owned businesses in 1986 after considerable pushing by many of us who were concerned that we had only data from the 1977 Economic Census to rely on. So, you see, it is not always easy to get accurate, up-to-date information about the status of women in our economy.

The evidence we do have indicates that, 14 years after passage of the Equal Credit Opportunity Act, there has been considerable improvement with respect to consumer credit, but problems continue to crop up with respect to commercial credit.

Mr. Chairman, and members of the panel, I was a member of the Financial Institution Subcommittee that helped to write the Equal Credit Opportunity Act in 1974, and I can assure you there was no difference in our minds or in the congressional intent, the legislative intent, between consumer credit and commercial credit.

Key aspects of the problem, other than outright denial of credit, are the discouragement of applicants before they even file a formal application, and the granting of credit on less favorable terms than might be expected and appropriate.

The very informality of the discussion and negotiation process that is an accepted and important part of business credit transactions offers particular opportunity for discouraging applicants and for leading them to actually request less favorable terms in the formal application.

In business transactions, the filing of a formal application is often the culmination of the process as opposed to consumer transactions where the filing of a formal application tends to take place at the outset. Therefore, the nature of the discrimination problem with commercial credit is more subtle and difficult to pinpoint.

The Equal Credit Opportunity Act of 1974 prohibits discrimination in both consumer and commercial transactions. An amendment to the act in 1976 gave the Federal Reserve Board flexibility in drawing up the regulations and, as a result, the implementing regulation, regulation B, now reflects a distinction between commercial and consumer credit, based on the differing nature of the types of transactions.

Commercial credit transactions are specifically exempted from provisions of the act relating to: One, notification of adverse action regarding a loan application, including a written statement; two, retention of records requirements; and, three, information concerning marital status.

At the time the Federal Reserve initially crafted these regulations, it is understandable that these exemptions for commercial credit were deemed appropriate in recognition of the greater amount of negotiation and subjective judgment typically associated with commercial transactions. I am confident there was no intent to make it easier to discriminate.

But there is ample evidence of continuing discrimination and of a view on the part of many lenders that the ECOA doesn't really apply to commercial credit.

As you know, Mr. Chairman, the legislation that you and I introduced would remove those exemptions for commercial credit. The bill does provide for the possibility of legitimate exceptions which could be approved by the Federal Reserve Board through an administrative hearing process.

When the Federal Reserve Board acted to change some aspects of regulation B, about 2 years ago, it chose not to alter the portion pertaining to business credit because of insufficient evidence of need.

While the Board acknowledges that continuing discrimination does exist, as indicated by the testimony of Governor Martha Seger before the House Banking Committee's Subcommittee on Consumer Affairs and Coinage in August 1986, it maintains that the problem is primarily one of education of bank officers, minorities, and women to the rights already guaranteed by the act.

In an effort to assist in the education of these groups, the Federal Reserve Board has produced an excellent pamphlet. Those of us involved in efforts to rectify the problems are very appreciative of the Fed's responsiveness to the concerns raised, but we question how successfully the pamphlet can be distributed to all lenders and applicants, and whether or not it would be read.

If recordkeeping and written notice of denial were required, it would, at the very least, ensure that both bank officers and applicants are aware of their guaranteed rights.

Clearly, women-owned businesses already form an important component of the business sector. To assure that these promising contributors to our national economic vitality can prosper, it is critical that we heed the signs of continuing discrimination in their access to credit and act to remove impediments to their success.

Thank you allowing me the opportunity to share these observations with you as a part of your hearings on women entrepreneurs. I congratulate you and thank you for holding the hearings, and for the heavy attendance we have among the committee members this morning.

Chairman LAFALCE. Thank you very much, Lindy. I think the attendance here is testimony to the affection and respect in which we all hold you, in addition to the interest that the members obviously have in the issue.

Since the introduction of our bill, we have heard from some individuals or organizations who oppose it, for one reason or another, the National Commercial Financial Association, for example, and the National Association of Credit Managers.

I think the time has come for us to do two things: To sit down with Mr. Annunzio and try to get hearings on this bill in this Congress before his subcommittee, and then to see if we can work with these groups who oppose it to see if we can amend it without weakening it to accommodate their concerns in return for their support.

Now, of course, if there would not be some quid pro quo, some support to accommodate their concerns, our disposition to accommodate those concerns might not be as great.

Would that generally be your disposition?

Mrs. BOGGS. It certainly would be. I think you have to recognize that some of the groups that are in doubt about the bill or opposing the bill, have very little outright experience with the kinds of credit that we are really talking about.

If I may say so, when we first started the Equal Credit Opportunity Act for all credit, including consumer credit, we had great opposition from many of the groups. Of course, that was finally overcome. I remember the testimony of the immediate past president of the American Banking Association, who came to testify in favor of the bill. But he was immediate past president when he did so.

When the bill was completed, the legislative history of it is such that different persons, the minority interests, the interest of the aging, and so on, were all reflected in suggestions to the Federal Reserve Board for regulations.

When the first regulations were—or the preliminary regulations were published, all of them were very pleased that their feelings and their experiences had been included. Of course, when the comments began to come in and the people who had to, in practicality, carry out the purposes of the act, you began to get some negative comments and some suggestions for change.

When those changes were reflected in the permanent regulations, the women's organizations, the minority organizations, and others really thought that they had been taken in. They had failed to comment on how wonderful the proposed regulations were, you see.

We, the women Members of Congress, which included several minority women, asked the Federal Reserve Chairman—Arthur

Burns at the time—to come to meet with the leaders of these women and minority organizations, which they did. So, there has been difficulty in the interpretation all along.

I think we have been able to meet all along the requirements of the people who feel that they are still discriminated against and are still having trouble, and the requirements of the groups that are charged with the application of the regulations. So, I think there is no reason to assume that we cannot satisfy those needs in this instance as well.

Chairman LAFALCE. Good.

Well, I look forward to working with you more closely. I would like to do something in the next month.

Mrs. BOGGS. Thank you.

Chairman LAFALCE. Do other members of the committee have questions or comments they would like to make?

Mr. HAYES. I would just like to commend my colleague for having introduced this much-needed piece of legislation. I want to let you know I fully support it. There is no question about the difficulty that women entrepreneurs have in trying to seek social finance, particularly among minorities.

Thank you very much, Mr. Chairman.

Chairman LAFALCE. Thank you. Any others?

Mr. Lancaster.

Mr. LANCASTER. I would like to add my welcome and thanks to Mrs. Boggs for her leadership and testimony this morning.

Mr. MARTINEZ. Mr. Chairman, I would like to add my commendation to Mrs. Boggs. It surprises me when people in a position to use common sense don't. Women in business who want a commercial loan are going to have substantially the same kinds of collateral and situation as a male. Why someone in a position to make that loan would deny a woman under the same set of circumstances is beyond my wildest imagination.

It never ceases to amaze me that these situations have to be corrected by law when they should be corrected by common sense. I commend you and the chairman for introducing this bill.

I think we have to make it known that there is no distinction between a commercial loan and regular credit.

Chairman LAFALCE. Based upon the comments of all the members, I would assume all wish to cosponsor our bill. So ordered.

Mrs. BOGGS. Thank you.

Chairman LAFALCE. If there are no further comments, Lindy, thanks a million.

Mrs. BOGGS. Thank you very much, Mr. Chairman, and all the members of the committee.

I may mention that my colleague from Kansas has been a leader in these regards as well. Thank you so much.

Mrs. MEYERS. Mr. Chairman, may I say that I may be a cosponsor of the bill. I am not sure, because of my participation in the Congressional Women's Caucus, but I do congratulate you for introducing the bill and for working so hard on this, in this area. Thank you.

Chairman LAFALCE. Mrs. Meyers, I am sure that you are, and if you are not, you are retroactively.

Mrs. BOGGS. Thank you very much.

Chairman LaFalce. We will now hear from a panel on business owners or individuals involved in Government with respect to women in business. Ms. Barbara Gentry, director of the Women Business Owners Service, Michigan Department of Commerce; Ms. Christine Bierman, president of Colt Safety, Inc., St. Louis, MO; and Ms. Mary Jordan-DeLaurenti, president of Jordan-DeLaurenti, Inc., Dallas, TX.

It surely is a pleasure for us to have the three of you before us today. What I will do, without objection, is put the entire text of your remarks in the body of the record at this time. If you wish to read them, fine. If you wish to summarize them, fine.

Whatever you do, I hope you can do it within, say, no more than 10 minutes each. Then we will have time for questions. Without objection, the testimony of the three witnesses will be included in the record.

First we will hear from Ms. Gentry.

TESTIMONY OF BARBARA GENTRY, DIRECTOR, WOMEN BUSINESS OWNERS SERVICES, MICHIGAN DEPARTMENT OF COMMERCE

Ms. Gentry. Mr. Chairman and esteemed members of the Small Business Committee, as the director of Women Business Owners Services in Michigan's Department of Commerce for the last 5 years, and also as a business owner for the past 13 years, I want to thank you for this opportunity.

Chairman LaFalce. Ms. Gentry, when Jim Blanchard served in Congress, he served with us on the Banking Committee with Lindy Boggs and myself. He brought a good many of his staff at that time from Michigan with him.

Were you on his Washington staff?

Ms. Gentry. No; I was not.

Women Business Owners Services has recently been recognized by the U.S. Department of Commerce as the most outstanding program in the United States providing the most comprehensive economic development initiatives for women entrepreneurs. It is from this experience that the following testimony is presented.

Our free enterprise system is based on the premise of equal opportunity for all. But for small businesses in startup or business growth stages, access to capital is not a level playing field. There is definitely a problem.

Women's business startups are experiencing a growth rate of 9.4 percent annually. Yet, this growth is being restrained by the unavailability of capital due to systematic discrimination in the lending practices. The impact of this discrimination is causing women to start businesses undercapitalized.

Systematic discrimination impacts a women's traditional experience in the workforce and limits her income. This affects the amount of collateral and assets she has been able to gain. A well-known rule of thumb is in order to get money, you must have money.

Women traditionally do not have sufficient assets, access to financial markets, or access to family assets.

Perceptual discrimination further limits access to capital. In July 1986, Michigan held four public hearings concerning access to capital for women business owners. Testimony given by the 435 women business owners identified one overriding concern. In their opinion, women do not have equal access to credit and are discriminated against in the business and loan process.

Lenders perceive women-owned businesses as high-risk investments due to misperceptions about women's ability, experience, and commitment to operate successfully. Women are, therefore, charged excessive amounts of interest and collateral, up to five times the amount of the loan, and cosignatures are required for husbands, fathers, or sons when women have attained personal credit in comparable amounts.

Traditional banking lending policies have a discriminatory impact on young companies which have not accumulated sufficient assets or resources to meet the loan criteria. This is especially true for serve sector businesses, because they possess few tangible assets which banks require as collateral for most loans.

This has an impact on women business owners because in Michigan, 84 percent of all businesses owned by women are in the category of service, wholesale or resale.

In 1987, a Touche Ross Michigan study surveyed 3,400 women business owners and received responses from 18 percent, 621. This survey showed that while 69 percent of these women business owners approached banks and lending institutions, only 14 percent of the capital used to start their enterprises came from lenders, with more than 70 percent coming from savings and earnings, and another 15 percent from friends, relatives, and private investors.

This reliance on their own earnings and savings, despite the traditionally low earning power of women in the workforce, resulted in 80 percent of the businesses being capitalized at under $20,000. Only 5 percent of the women in the survey started their businesses with more than $75,000.

These Michigan businesses were not part-time ventures or home-based enterprises with no plans for expansion. The survey showed that 66 percent of the respondents are corporations, 86 percent operated full-time ventures, and that 80 percent leased or owned space. Most important, from an economic development perspective, was the fact that almost half, 47 percent, were considering expanding in 1987.

It is critical to point out that the data collected from IRS about the revenue of women business owners is incomplete. The $100 billion to $200 billion annual revenues represent sole proprietorships, partnerships, and subchapter corporations only. The data does not reflect the U.S. corporations owned by women.

In Michigan, in 1983, IRS reported that 111,620 women-owned nonfarm businesses created $1,087,487,000 in sales. The recent Touche Ross survey, polling the top 50 women business owners, indicated that their corporate revenues for 1986 exceeded $867 million. Therefore, the actual economic impact of just these 50 additional corporations would almost double the gross revenues reported by IRS in 1983.

As a result of these barriers, the area of greatest risk for women business owners continues to be the necessity to start undercapitalized businesses which significantly reduces their ability to be competitive.

The impact of undercapitalization and lack of capital from traditional sources limits the potential of growth for women-owned businesses. As businesses expand, growth capital, the permanent working capital needed to sustain growth, is not available either internally or externally.

Data gathered in the Touche Ross survey indicates that 31 percent of the companies that started with less than $20,000 in capital were grossing over $100,000 in 1986. While 65 percent of the companies that started with $20,000 or more in 1983 were grossing over $100,000.

In the Michigan Touche Ross survey, over half, 52 percent, of these Michigan business owners were operating with a bank loan of any kind. Yet, these were not new businesses. Only 8 percent of the survey respondents had been in business for less than 2 years, 64 percent had been in existence for at least 5 years, and 32 percent of these more than 10 years old.

In terms of size, 41 percent of the respondents indicated that their businesses grossed more than $100,000 a year, and 54 percent employed more than four full-time and part-time employees. This is all large.

When bootstrap financing is necessary, when a company has to rob Peter to pay Paul continually, the growth is slower and more cautious. It is as if these companies must save their money in order to afford the luxury of growth.

Some States have addressed the issue of capital, and the State of Michigan has implemented two major initiatives: The Capital Access Program and the BIDCO Program, to increase access to capital for small- and medium-sized Michigan businesses.

It is important to point out the greatest challenge of our office has been to get State and local economic development policy and decisionmakers to include this existing growing segment of small business.

The issue is not only systematic and perceptual discrimination, it is even more serious. Women business owners are not even thought of, let alone considered, in policy decisions. It is one thing to be discriminated against. It is another to not even be thought of or included in decisions.

Without the specific intervention of Women Business Owners Services, our office, I doubt many of our programs would have worked. Attitudes change before behavior. Someone must be there to advocate on behalf of women business owners to raise consciousness and seize opportunities. This is a challenge ahead of us throughout the United States.

In conclusion, I want to stress the market value of women business owners. Savvy profit-oriented companies in Michigan like Touche Ross Accounting Agency have recognized it. Their commitment is not the least bit altruistic. It is about growth potential, theirs as well as their client's.

It is imperative that public national policymakers, such as yourselves, think strategically in our changing economy to maximize this resource, the fastest growing segment of small business.

Women sole proprietors contribute between $100 billion and $250 billion to the national economy in spite of all the restrictions mentioned earlier in this testimony. What kind of growth and impact could be created without the hindrances?

The strong participation of this vigorous segment not only contributes more diversity and resilience in our economy, it vests even more actors with a vital stake in staying competitive and an interest in making our national economy strong.

To conclude, I have eight specific recommendations. Their enactment by Federal regulatory agencies would do much to open doors now closed to women business owners, and unlock their potential for job creation and economic growth.

One, adopt a specific affirmative action program to help women business owners overcome traditional lending practices that limit their access to financing.

Two, support the present legislation introduced by Representative John J. LaFalce and Representative Lindy Boggs regarding the Equal Credit Opportunity Act of 1974.

For women-owned businesses, the Equal Credit Opportunity Act of 1974, ECOA, is a missed opportunity. It had the potential to eradicate barriers that have limited the ability of women-owned businesses to acquire business credit. Although the act requires financial credit institutions to make credit available equally without regard to sex or marital status, many of its provisions have been interpreted not to apply to business transactions.

Three, expand the bank examination process to examine for compliance with the ECOA's prohibition against sex discrimination in business lending and to include data collection on commercial loans granted or denied to women business owners.

Four, develop a rating system to be incorporated into the examination and implementation of the Community Reinvestment Act to measure the impact of the lenders' loan practices toward satisfying the credit needs of women business owners.

Five, sponsor educational programs instructing lending institutions how to review loan packages for soft asset companies based on cash-flow analysis, rather than asset-backed financing.

Six, reverse the conservatism of the SBA 7(a) guaranteed loan program and develop new policy that reflects the borrowing needs of today's economy to include soft asset loans, particularly for women business owners.

Seven, improve the quality and information about small business growth in the United States by expanding the County Business Pattern data to include women-owned status and business type, sole proprietorship, partnership, or corporation.

Eight, enact legislation authorizing the implementation of a National Capital Access Program, and a National BIDCO Program for women business owners, based on the models being developed so successfully in Michigan.

I look forward to the day when women entrepreneurs are free to focus their energies and talents on growing their businesses and creating jobs, instead of pushing the rock of systematic and perceptual prejudice up the hill again and again. With your help, we can give women business owners the tools they need.

Thank you.

Chairman LaFalce. Thank you, Ms. Gentry.

[Ms. Gentry's statement may be found in the appendix.]

Chairman LaFalce. Our next witness will be Ms. Christine Bierman from St. Louis, MO

TESTIMONY OF CHRISTINE BIERMAN, PRESIDENT, COLT SAFETY, INC.

Ms. Bierman. Mr. Chairman, members of the committee, I am honored to be here today to tell my story, my struggles, my success, my passion, and my dreams with you.

I would like to introduce my businesses. I am 100-percent shareholder. This is on your last page. You have a copy. Three corporations. Colt Safety, Inc., founded in 1980, to warehouse and distribute safety products such as hard hats, respirators, safety glasses and goggles, steel boots, and gas detection products.

We distribute to local industries in about a 200-mile radius of St. Louis.

My second company is GFG America Gas Detection, Ltd. We are the exclusive U.S. importers of gas detection products of Gesellschaft fur Geratebau. These products are sold nationally through safety products distributors. Projected 1988 sales are $500,000. Number of employees are three.

My third company is Safety Technologies, Inc. We incorporated in October 1987 to maintain, calibrate, and repair all GFG electronic gas detection products, all Enmet gas detection products, and all Survivair respirators. Projected 1988 receipts are $50,000. Number of employees are two, one full-time technician and a full-time engineer.

I have been approached to purchase my fourth corporation. I don't know if I am going to be able to get the banking for that. But a safety house in Fort Worth, TX has approached me. They want me to buy them out. So, we will see how that goes.

Today, I will be focusing on Colt Safety, Inc., the oldest of my companies and the one also in need of money and all kinds of work.

I want to be a business owner, not a woman business owner. I would prefer to do business without taking special account of my gender. I am one of less than a handful of female safety products distributors in this country.

I started this company in 1980 at the suggestion of my husband, who offered me office space and a telephone in his machine tool dealer business.

I have never expected anything to be handed to me on a silver platter. I realized that starting a new business would be a constant uphill struggle, and I was willing to sacrifice a lot to make it work.

My roots are from a small southern Illinois town and a middle-class family. I have a BS degree in education. I taught high school journalism, English, and physical education for 6 years, and then founded Colt Safety, Inc.

I brought nothing to this business, no family money, no MBA, and no expertise in the safety field. The only thing I had was a passion to succeed. I am a strong believer in the "American Dream." I believe any person can do anything they set their body, soul, and mind to.

With this philosophy a part of my life, I refused to fill out woman enterprise business forms. I never solicited that kind of business and certainly never expected it. But over the course of 8 years in this business, I found out I could not be as good as my competitors, I could not be anyone's equal. I had to be better.

My metropolitan industrial area is a $40 million marketplace. A major defense contractor in St. Louis spends $1.5 million a year on safety products. In 8 years, I have done $2,000 worth of business there. I have been refused bid solicitations by this company, and the excuse has been that all they need are three bids, and since there are six safety houses in St. Louis, they do not need me.

So, there are no Government set-asides or what I call "token business" waiting to drop in my lap. In many cases, I am not even given a fair chance to bid as an equal, which is all I have ever asked for.

In spite of negative and uneducated attitudes of people in my industry, Colt Safety, Inc. has grown. In 1987, we doubled our sales, making it our first million-dollar year, and we are currently on target for tripling those numbers for 1988. We employ 14 people. In 1987, I paid $61,144.20 in combined withholding, sales, and unemployment taxes. I have taken 3 of those 14 people off of unemployment rolls, and that makes me feel proud of my American Dream.

An inevitable evil with a rapid growth is cash-flow problems. I have been turned down for a loan by every bank in St. Louis. It always got down to the question of personal assets and can you bring your husband back to sign? This, to me, is blatant discrimination.

Through some political connections, I met the owner of a minority bank in my town, and made my appeal to them on a very human level, accompanied by a loan package that showed definite growth and assets.

That banker introduced me to MO BUCKS, set up by the State of Missouri to help small businesses at a low interest rate. Neat idea, but most banks didn't want to deal with it because it entailed a lot of paperwork and less of a return on their money than if they were dealing with the real corporate world.

With my banking relationships finally in place, we grew more. By the way, my husband did have to sign for my MO BUCKS loan also, but I was not in a position to argue. A year later I went back to my minority bank for more money and was informed that I grew too much—evidently they had a commercial lending limit, and I had reached that limit. They said they would give me glowing referrals to any bank I chose to solicit.

So, once again, after a year of comfort, I will be forced into begging bankers and proving to them that I am for real and that, yes; I really do sit at the helm of this safety supply company.

On a more positive note, in January 1987, I was told about Southwestern Bell Telephone Co.'s aggressive policy on procuring from minority and women-owned business. I did fill out their forms. I was asked to bid on their safety glass contract for their five-State area.

We won that contract and have gone on to win a contract for their protective clothing and respirators for asbestos removal at their facilities. Because we are a woman-owned enterprise, they gave us a chance to earn their business.

It is my goal that through this testimony I can help to humanize the process of allowing women enterprises to do their jobs as equals in the business world.

Chairman LaFalce. Thank you very much, Ms. Bierman.

Our next witness is Mary Agnes Jordan-DeLaurenti.

TESTIMONY OF MARY AGNES JORDAN-DELAURENTI, PRESIDENT, JORDAN-DELAURENTI, INC., DALLAS, TX

Ms. Jordan-DeLaurenti. My name is Mary Agnes Jordan, also known as Mary Jordan-DeLaurenti, and I am the president of Jordan-DeLaurenti, Inc., [J-DL]. Jordan-DeLaurenti, Inc., is a management company specializing in training and contract services for the Government.

I started J-DL on January 5, 1975, as one employee embarking on a management consultant career. At that time I knew one thing—that I wanted to see what I could accomplish on my own. I had been laid off by General Motors the previous May and decided that if there was no security with such a large company as General Motors, then there was no such thing as security with any company. That recognition produced a sense of self-dependence. Fears of marching off on my own with no financial resources or backing and with only the moral and financial support of my husband of 2 months—his salary fed and sheltered me—were reduced.

After 2 years of building my training capability with Government and business, I was ready to hire a second employee. In order to accomplish my marketing plan, I needed financing of $10,000. I was denied by several banks because I was female, so I just put my nose to the grindstone and worked harder and longer without the employee.

The following year, I put together another business plan for a loan of $10,000 to expand the business. Again I was rejected. The laws were only beginning to take hold for women's personal credit, and there was no protection for business credit for women. I decided to fight.

The reason given to me for the first rejection was that I was a woman, and the bank had no loans to give to women. The second rejection by the same bank had a different, more subtle, reason. My business plan was not sufficient. When I asked what I could add or change, the president indicated that my husband needed to submit a personal financial statement.

When I indicated that my husband had no financial or personal interest in the business, the president asked me, "What kind of marriage do you have, anyway?" Very calmly and sweetly. I said, "Now, Curtis, you know you can't ask me that question." The Equal Employment Opportunity Act at least made him aware and gave me the courage to persist.

I finally asked him to humor me. I wanted to dramatize something for him. I told him I would leave his office, and I would close the door, open it again and reintroduce myself as Mary Agnes

Jordan, single woman, owner of J-DL, Inc., and would he please review my application and my personal financial statement, and see if I qualified for the loan.

I did exactly that. My drama worked. He reviewed the application as I sat there. Having completed the review, he raised his eyes in amazement, and said, "I know this loan committee isn't a bunch of male chauvinists." I told him he was probably right. At this point I just wanted my money.

Getting that $10,000, even if it did take 2 years, proved to be easier than getting $100,000 when I needed it 2 years later. I submitted my request for a loan with my business plan to several banks. Again I got the same story, I was too high a risk. It was 1979 and our sales were $220,000. They had grown 120 percent since 1978 and at least 100 percent every year since I started the business.

I applied for an SBA guaranteed loan. I was rejected. My credit record was excellent. I had not missed a single payment on the $10,000 loan. My marketing of Government contracts and the support of a wonderful woman friend encouraged me to pursue SBA 8(a) certification.

I was rejected by the SBA for the certification because I was a nonminority female. Disadvantaged nonminority males had been accepted into the program. At every level of appeal to the SBA, I was rejected and insulted. This led to 3 years of litigation, partially supported by the Women's Legal Defense Fund. Persistence tainted by controlled anger and frustration resulted in a successful settlement 2 days before the final date for a court trial.

Now the work began. I again was rejected by the banks, but this time I was able to use the SBA guaranteed loan program and successfully borrowed $100,000. That was the beginning of J-DL's expansion. It was the year 1980.

I would not be testifying for J-DL today without this loan. It gave J-DL the basis to engage in large Government contracts. Although my experience with gaining credit happened 8 to 10 years ago, they are not outdated. It is still happening to women in emerging businesses. Growth depends on capital. Banks are in the business of providing this capital, but it appears that with nearly 30 percent of businesses owned by women in 1988, the banks are not in business to loan to this large portion of the economy.

Banks in Texas, as you all know, are having their own problems. I am not asking them to take unreasonable risks. I am asking them to apply the same criteria for loan approval to emerging businesses, whether they be male- or female-owned.

I am asking Congress to assure that this is done. ECOA, the Equal Credit Opportunity Act, does not cover equal access to credit for women business owners, and almost every banker knows this. We need laws that will provide access to credit and access to capital.

I would also like to add some testimony on procurement for women-owned businesses.

Being SBA 8(a) certified was a business issue for me, not a social cause. Jordan-DeLaurenti, Inc., is a successful business today because we market heartily. I pursue business. My staff is extremely competent and dedicated. We watch our cash-flow and our business and accounting practices carefully. We are proud of the work we do for our customers.

8(a) was not a gift. The contracts do not come as gifts. What 8(a) has done for J-DL is to provide it with equal access to do business with the Federal Government. It is no different than the equal access laws Congress has created for personal credit for minorities and women, nor for equal access to education.

SBA 8(a) certification has given me an opportunity to create a business and to nurture that business into a $5 million operation.

Mr. Chairman and members of the committee, respectfully I submit that the 8(a) program does not cost the American people money. It contributes money to the public coffers. J-DL supports 175 families. All of them pay taxes. This year alone J-DL and its employees paid $729,182.94 in Federal taxes.

Had I not been successful in my legal pursuit of 8(a), I guarantee you I would not be head of a company that does defense contracting with the Army, Navy, and Air Force. Women-owned businesses have very little opportunity for equal access to defense business. The barriers are too great. Very few women have had military experience, therefore, few understand the internal workings, nor do they have the credibility with defense procurement or program people. But they have services and products that defense uses, and they can hire people who understand the military, as I did.

There are no programs for women-owned businesses that work. There is much talk but very little action. The programs have no force of law. There is no requirement for Government agencies or prime contractors with WBE's, in spite of all the legislation. We need these requirements. Women must have equal access to contracting.

We are not asking for a gift, we are asking for equal access. This access must be in the form of either the 8(a) program or a new program for all women.

I believe your records will indicate that access to the 8(a) program for women of all races is next to impossible. Although the large portion of nonminority women who have 8(a) certification obtain it after some form of litigation, it is not much easier for minority women to gain 8(a) approval.

I support a Federal Government access program for women-owned businesses, and I urge you to pass the legislation to obtain this goal.

I want to thank you for the opportunity to testify before you today.

Chairman LaFalce. Thank you very much, Ms. Jordan.

Let me ask a few questions before we turn to the other members of the committee.

Ms. Gentry, your first recommendation was to establish offices for women business owners in each of the 50 States.

About how many States right now have such offices?

Ms. Gentry. According to Charlotte Taylor's report, there are approximately five offices that are specifically designed to deal with the economic development issues of women. Most of the offices that have been established have to do with the procurement or set-aside programs. They deal specifically with that and not necessarily the issues that affect the economic development policymakers.

In my region, Michigan, Ohio, and Illinois, those are the three I know of. I believe there is one in Louisiana and another in another State. So, there are five. None of them have the staff nor the financial resources that we have. They are one-person operations.

Chairman LaFalce. Is there any Federal role that you might envision, any catalytic role that we might have in establishing or helping to establish these offices for women business owners in the States?

Ms. Gentry. I contemplated this. On a Federal level, I think it is crucial to point out that we have within the State of Michigan begun to see that our customers are really the fastest growing segment of small business. They just happen to be women.

On a Federal level, I think something needs to be addressed about the existing market that is growing and growing and impacting the economy.

When you talk about this fastest growing segment in small business and then say it is women, that is when the perceptions are askew.

On the national level, I would like to see a policy that addresses that existing growing segment. There is nothing you have to do. We don't have to spend our time encouraging women to start businesses; they are doing that. So, the opportunity that is here is to take advantage of it.

To encourage on, a national level, specific programs for the fastest growing segment of small business, I think that would address that issue.

Chairman LaFalce. Your first recommendation would be to adopt a specific affirmative action program to help women business owners overcome traditional lending practices that limit their access to financing.

Can you flesh that out a little? Have you done that in Michigan?

Ms. Gentry. What we have begun to do in Michigan is work on a county-wide basis. In Michigan, when we began this program, one of the things we found out was that within the banking industry there is not only a problem in the area of lending, but there also is a problem in the area of management hiring practices. You will find a predominant amount of females working in the banking industry; you will not find them in commercial lending.

Over the past few years, the management experiences in commercial loans to women have grown. You will find women in charge of trust accounts, personal accounts. In 1983 in Michigan, 3 percent of all commercial lenders in Michigan were women. I was going into communities where there were no women commercial lenders. Today, that number is about 10 percent. I would venture to say that probably holds true around the United States.

Chairman LaFalce. I am not saying that this would be adequate or fast enough, so don't misunderstand me. But do you think the problem that women have in accessing capital will be self-correcting in part by virtue of the fact that more women will become involved in commercial finance, and more women will be decisionmakers?

When I graduated from law school there was one woman in the graduating class, and today it is not just one, it is 50 percent in virtually every law school class across the country.

In the future, in 5, 10, or 20 years, aren't 50 percent of the commercial loan officers going to be women? I know that is going to be much too slow, but don't you think that is going to happen eventually?

Ms. GENTRY. I don't know. It is as if the banking industry is the opportunity for economic equality. I would hate to wait and see what happens. I don't know how many bank presidents of the United States are women, but I would bet we can count them on both hands.

Chairman LAFALCE. Presidents are one thing and commercial loan officers are another. I am sure that day will come with respect to bank presidents.

We had a seminar in my district in December. I wanted only women as participants in the seminar. I had a tough time deciding which loan officers and vice presidents of banks to pick, because there were so many women in very, very high ranking commercial lending positions.

I wonder what type of affirmative action program we might try to suggest to help women business owners to overcome traditional lending practices that limit their access to financing.

This is your realm.

Ms. GENTRY. Not only looking at the hiring practices of the banking industry, but also the loan practices. There seems to be an overriding attitude about women in the banking industry.

In Michigan, we have been able to encourage banks to hire more women commercial loan officers. That has speeded up the process.

Attitudes change. When you begin there is an enormous reluctance. There is a lot of fear. When all the change happens—sometimes it is forced and sometimes it is not—most people then say it is not as frightening as they thought it was going to be.

We now have commercial lenders who are women, in counties where they never had them before. It has enormously helped the process itself. What I am talking about is not only the management and hiring practices of women in the banking industry, but it also has to do with the perceptual discrimination that women experience.

If they begin to work with women, they will begin to experience the creativity and talent that is there. Lenders come to the table with their experiences and that is how they make decisions—and also their biases, so it is an opportunity to heal those biases.

Chairman LAFALCE. Well, I agree with you regarding the bill I introduced.

Now, the bank examination process—what is that right now? Does it not examine for compliance with the Equal Credit Opportunity Act prohibition against sex discrimination?

Ms. GENTRY. Not necessarily. When women go in for commercial loans, there is no record. As you know, when a lot of women who go in and talk about loans, that is not even recorded. They are discouraged before they have an opportunity to make a loan application. So, we don't know how many women even make applications.

I have had conversations with bankers who say we wish more women would come in for loans, but today we hear testimony that women are continually asking for loans. There is no way to prove loan applications. There is no way to prove how many loans were neither granted nor denied.

Chairman **LAFALCE**. I have a few more questions, but I think I will defer my questions until after the other members of the committee have had an opportunity to ask questions also.

Mr. Ireland, do you have any?

Mr. **IRELAND**. Thank you, Mr. Chairman.

I would like to pursue some questions concerning access to capital.

Before I came here 11 years ago, I had been in the banking business for a long time, and 25 years ago in a rural Florida town I made a conscious effort to have women vice presidents, much to the horror of my competition. These women ran circles around other banks. We grew from an $8 million bank to a $108 million bank in about 5 years.

I say that only to say that I agree with you. The record in lending to women and having women making the loans certainly was a very big part of our large success.

It does concern me about access to credit. I know that there are bankers out there, I know them, I have seen them—they get all nervous and don't know what to do and their lawyers tell them that they have problems in not having husbands on the loan. That has nothing to do with the credit operation; it has to do with if somebody doesn't pay, how do you get to court to get the money back. Truth to tell, women are just like other people, sometimes they can't pay also.

Leaving that part aside, I think there is a lack of enlightenment out there that needs, candidly, a kick in the fanny from time to time. All of this is to lead up to the fact that I was struck by the DeLaurenti testimony. "Banks are in the business of providing this capital, but it appears that with nearly 30 percent of businesses owned by women in 1988, the banks are not in business to loan to this large portion of the economy."

Do each of the others of you believe that banks are in the business to lend capital? Do you agree with the statement that banks are in the business of providing capital?

Ms. **GENTRY**. They are in the business of making money, and one of the ways they do that is to lend money.

Mr. **IRELAND**. For capital.

Ms. **GENTRY**. Yes, sir.

Mr. **IRELAND**. Do you agree with that?

Ms. **BIERMAN**. Yes.

Mr. **IRELAND**. When our banks were separated as a result of the crash of 1929 and the Depression, investment banking was taken away from commercial banking, and a banker who makes an investment per se is violating the law. So, we have told our banks historically that they should not be making capital loans. If you are a banker, you can make a certain number of long-term loans, but the examiner will say you are not in the business of making capital loans, you are in the business of making commercial loans. Investments are for the SEC.

I bring that up before you beat up too badly on bankers. This country, in its wisdom, took capital lending away from our commercial lending system.

There is limited awareness that bankers are restricted from making capital investments of any kind as an investment, and, as to loans, they are greatly restricted in making long-term loans and can be severely criticized if the proportion of those loans goes up.

So, with all that in mind, I have been quite concerned that we are doing so little, not just for women business owners, but for all small business owners, by creating a market imperfection by our laws. In other words, taking banks out of the investment business and not providing anything to fulfill that market imperfection.

I think in Missouri you referred to something similar to Michigan, a State-run operation?

Ms. BIERMAN. MO BUCKS was set up by the State of Missouri.

I don't think we have an organization other than the SBA that does what her organization does. If they do, they are not as aggressive as her organization. They would be in Kansas City or St. Louis, and I would know about them.

MO BUCKS is a State-run program. I had to make a trip, an hour and a half through country roads, to get to the State Treasurer and tell him no one knew about it in St. Louis, and I asked him how we could get it known that this $20 million was available for small businesses, not just women.

Mr. IRELAND. Did your husband have to sign the loan, as well?

Ms. BIERMAN. Yes.

Mr. IRELAND. Did you think differently about that, from a legal standpoint?

Ms. BIERMAN. I understood since he owns half the personal assets, and I own the other half, that he had to sign. I know the wives of many male borrowers do not have to sign when the houses are put up. Wives don't have to, but husbands have to because of this.

Mr. IRELAND. In the Touche Ross report, there were two questions that stood out to me.

"Does your business have a business plan?" 43 percent said no. That sounds like something that might need correction within the ranks.

The other says, "How do you feel you were treated at the lending institution? Were you treated fairly?" 67 percent said yes.

How do you reconcile that?

Ms. GENTRY. In the back there was a place for comments. In the comments section, 85 percent complained about the banking relationships, which eschewed what they said. It was conflicting testimony. We could not figure it out either.

We recognized later that we did not frame the question correctly. We have changed the question to get the point we really want. So, we hope to have clear information about that.

When they responded in writing in the back, they talked about the same things we are talking about today, the figures that are required and continue to be required. Even though the women have been in business for 5 or 10 years, every time they go to the bank the husband has to sign for the loans.

That testimony is available. I can submit that for the record.

Chairman LAFALCE. Thank you.

[The information may be found in the appendix.]

Chairman LAFALCE. I want to point out that whenever you ask a question about capital, there are different ways of defining capital.

Mr. IRELAND. I think she said the right thing, get the money.

Chairman LAFALCE. If you go to a bank and say do you have legal ability to give me legal working capital, you might think they have the legal authority to do that.

Mr. Hayes.

Mr. HAYES. Let me explain to the panelists that my pursuit is quite different from the ex-banker down there. I do want to make it clear that I would like to know from all of you, currently how many employees do you have?

Ms. JORDAN-DELAURENTI. J-DL has 175 employees.

Ms. BIERMAN. I have three corporations, 14 in one corporation, 2 in another, and 3 in my third corporation.

Ms. GENTRY. At the present time I own my real estate investment company, and I am the small owner. Up to a year and a half ago, I owned a small manufacturing company and employed 8 people.

Mr. HAYES. Am I correct that all three of you are supporters of H.R. 1397, the proposed legislation?

Ms. JORDAN-DELAURENTI. The Boggs-LaFalce legislation bill?

Mr. HAYES. Yes.

Ms. JORDAN-DELAURENTI. Yes; definitely.

Mr. HAYES. You mentioned, Miss Jordan, that you are supporters because you have been a benefactor of the SBA (8a) program.

Ms. JORDAN-DELAURENTI. Yes; that is correct.

Mr. HAYES. Do you have any specific suggestions as to how you think it would be improved?

Ms. JORDAN-DELAURENTI. Yes; they don't happen to be in the bill that happens to be pending. I don't know the status. Has it been passed in the House?

Chairman LAFALCE. There was one bill that was initially introduced, and that went through many, many changes. We did pass, through the full committee and the House of Representatives, a bill to reform the SBA 8(a) program. I don't know whether the bill we passed will be the bill that you are knowledgeable about and are now going to comment on.

Ms. JORDAN-DELAURENTI. Yes; I think that is the one. There is also one in the Senate at this point.

Mr. HAYES. There is one in the Senate that is somewhat similar, but there are some dissimilarities.

Ms. JORDAN-DELAURENTI. One of my difficulties, Mr. Hayes, is that I believe the whole point of SBA (8a) is to look at people who violate the rules of SBA (8a). There are so many good, good contractors who are doing very well, and I think they are forgotten about. I really believe that bill was made for those people who violate, as many of our laws are, rather than to support the people who are abiding by it.

I believe one of the things that needs to be changed is that the category for women, not totally women but women who qualify for small and disadvantaged, needs to be opened up. That is not happening and does not happen now. So, in response to that, I think that is one of the things that needs to be changed. Sometimes the violators are not necessarily the SBA (8a) companies. There are some changes that you did make in response to the way the act is being administered that needs to be changed also.

Mr. HAYES. I happen to be the husband of a female business owner. My wife is a certified small business operator who has been struggling for survival, so I know particularly what you are saying. I actually think she has more strikes against her than you do, as a black woman.

Ms. JORDAN-DELAURENTI. Definitely.

Mr. HAYES. What did you use as collateral to get your first $10,000 which you struggled so hard to get?

Ms. JORDAN-DELAURENTI. I had contracts and tried to assign those contracts to the back at that point, and they would not accept them. That was high risk. That even happened to me last year. I had Government contracts, and I needed for those for at least the first 90 days. You all know how long it takes to get something going and get paid by the Government. We say we need 90 days of financing when we pick up a Government contract.

I had to talk a long time to a banker who I have done business with for a long time to get them to accept assignment of note. Part of it is that they don't like to be involved in the paper work. As far as I was concerned the best collateral they could have was a Government contract. We had total performance on everything we had done. They still would not accept it immediately. They did later, but I had to bring them some people who convinced them I could do it, et cetera. I know what she is going through.

Mr. HAYES. Ms. Gentry you mentioned in your list of recommendations on number six, "reverse the conservatism of 78 guaranteed loan and develop a new policy that reflects our needs in today's economy that reflects soft asset loans particularly for women business owners." Are you suggesting an expansion of the program?

Ms. GENTRY. No; the women who have been able to use SBA (7a) guarantee programming have had very positive experiences. In Michigan, some bank lending officers have said to us that the SBA Government program has become so conservative that there are loans they would do. They are not considered risky loans.

Mr. HAYES. You are conscious of the fact that the survival is in jeopardy?

Ms. GENTRY. Yes; I do, and I believe by expanding——

Mr. HAYES. Do you have any influence with the administration at all? Thank you, very much.

Chairman LAFALCE. Mr. Hiler. Mr. Holloway.

Mr. HILER. Not at this time.

Mr. HOLLOWAY. I just want to make a brief statement to say that I think everyone who is in business, it doesn't take them long until they wish they were a banker, because so much of the time you are worrying about the banks. It seems like the only person who can get credit is the person who doesn't need it. There is a tremendous need in America. I don't know my feeling toward what the Government role is in trying to lead on to entrepreneurship. I think sometime we need to fight that battle.

I started with a small business and worked on my own to build it up. There are many things we can do to encourage it, and I think there is a role that we can play to help small business. I think we need to proceed with extreme caution when our role is trying to be paid in business life. Too often we jump into things in the business life, and we run into more problems than we solve.

I think all small businesses have a problem with credit, and we should look into it.

Chairman LAFALCE. I agree we have to proceed cautiously but with great speed, because we are basically simply attempting to deal with the discrimination that has existed and built up since 1776. That is a rather slow progress. We are trying to give the Equal Credit Opportunity Act some application as it was originally intended so that we can have some documentation with respect to our personal observations regarding real, although subtle discrimination toward women in business.

One other recommendation made by Ms. Gentry was to have a rating system built into the Community Reinvestment Act to measure the impact of the lenders' loan practices toward satisfying the credit needs of women business owners. Do you have anything that fleshes this out? Would you accomplish this by amendment? Would you change the way the Community Reinvestment Act is implemented and, if that is the case, how have you gone about trying to get a change in implementation?

Ms. GENTRY. When we made this recommendation this came forth, when we held the four public hearings around the State of Michigan. We were at that point supporting the legislation proposed at that time regarding the Equal Credit Opportunity Act. We saw the necessity to develop a rating system into the Community Reinvestment Act that did not require legislation. The gentleman who worked with me was at that time very much involved in the Community Reinvestment Act and is now the director of the BIDCO Program in Michigan. He felt by requiring them to report their business, it could be done without legislation.

Chairman LAFALCE. Is this being done in Michigan right now?

Ms. GENTRY. We are in the process now of redefining it; yes.

Chairman LAFALCE. So, the Michigan banks do not now have to, as a part of their implementation of the Community Investment Act, measure the impact on women?

Ms. GENTRY. No, sir.

Chairman LAFALCE. Well, if you have any paper that further embellishes that, I ask that you submit it to me.

Ms. GENTRY. I will do that.

Chairman LAFALCE. Your next recommendation is to sponsor educational programs to instruct lender institutions how to review loan packages based on cash-flow analysis rather than asset-based financing.

Of course, I would assume that you could have independent seminars or educational programs. I would think educational programs of this nature would be most effective if they were sponsored by the American Bankers Association, the Independent Bankers Association of America, the National Council of Savings Institutions, the U.S. League, et cetera, because they are constantly running educational programs for their membership.

Has any effort been made, to your knowledge, to work with these financial organizations or trade associations, to get them in their conferences? For example, I returned from the conference of the National Council on Savings Institutions in Toronto, Canada. I will be attending another conference in Boston in June, the American Bankers Association, for those bankers who want to reach out to small businesses.

Do you know if there is any organized effort to work with these trade associations to get them to sponsor this type of educational program within their annual, or semiannual, or monthly educational conferences or programs?

Ms. GENTRY. Mr. Chairman, I don't know the answer to that. I can only respond to what is happening within the State of Michigan. I think that is an excellent proposal.

Chairman LAFALCE. It would seem to me this is something the National Association of Women Business Owners and others might want to do, work with these trade associations to encourage them not to provide a special program just for women, but in their regular program for everybody to have a program of this nature which might be of special benefit for women.

Ms. GENTRY. I absolutely agree. The problem that we have run up against in Michigan is, as you know, Michigan is predominantly a manufacturing-based State. The issue of tangible assets is a major issue for us.

For example, many women have said when they come to Washington, DC, because it is not a manufacturing-based industry here, that it is easier for them to get loans in Washington, DC, than it is sometimes in Michigan when they have contracts here, because the bankers here have an understanding, a better understanding of service-based loans.

When the bankers in Michigan look at loans, they look for tangible assets. Even though it is a service-based company with few tangible assets, they still look for us. We began to talk with some of our bankers, and right now we are talking with a statewide bank in Michigan that is beginning to develop a special loan program exclusively for women-owned businesses.

They are going to incorporate our capital access program. One of the things we talked about was developing this educational program. They felt that would be very touchy in that you would be inferring that bankers did not know how to do this, and you would have to be very careful as to how you presented this.

One of the strategies that we talked about was talking about the new economy that was emerging in Michigan as we shift from the manufacturing economy into this newer economy. How were we going to sell the concept of having these bankers obtain, participate in a workshop that dealt with how to finance soft asset-based companies without offending them?

So, that has been one of the things we have been talking about right now, and that is an issue that might come up nationwide, but that is an issue that is very clear in Michigan.

Yes; they will say they understand that, but that is not how they review their loans. They understand cash-flow analysis, but they do not look at the loans in that way. That is why they keep denying the loans.

Chairman LAFALCE. This is something we might be able to pursue with these associations. I am wondering—I mentioned a number of other groups, too. I can't remember the names. But over the years, I have had women counsel. One of them now is the assistant to the Chairman of the Federal Reserve Board. Others, counsel to the Secretary of Treasury.

It seems to me that there is an organization in Washington—is it Women in Finance? Is that what it is called? There is some group—it may be a national, or perhaps, it is a local group. I have forgotten.

But I don't hear of them getting together other than for the purpose of networking to know each other and, therefore, perhaps, advance themselves. I don't hear them talking about programs that could be adopted either by Governments, whether Federal, State or local, or by trade associations, of an educational nature.

Maybe that is something that should be pursued, also.

Ms. Gentry. That is an excellent concept. Except this program would benefit all small businesses, not just women only.

Chairman LaFalce. I understand that. I think it would be an exceptional benefit for women.

Ms. Gentry. It has been our experience when you can shift the attention from it being women business owners, you seem to get much greater participation than if it is this special program for women.

Chairman LaFalce. I agree.

Ms. Gentry. I agree with you, that would be a marvelous recommendation. Partnerships have worked very well, like that in Michigan.

Chairman LaFalce. Very good.

If there are no further questions, then I—Mr. Hiler; yes.

Mr. Hiler. Mr. Chairman, I came in late, so if this question has already been answered, I will read through the testimony. When we talk about access to credit and the need for increased capital for new businesses and small businesses, it seems to me that is a problem that is pervasive through small businesses in general—the 15 million small businesses that exist in our economy today.

I guess from reading through your testimony fairly quickly, you are saying it is even more of a problem for women-owned businesses? I wasn't sure that I saw in the testimony the evidence for why that is more of a problem for women-owned businesses than just small businesses in general. Maybe you can help me out?

Ms. Bierman. I am here at the request of NAWBO, but I am a very good proponent of small business, entrepreneurship, anything like that. I am on the board of directors of the Small Business Coalition in Missouri. I spent many volunteer hours a week working for that organization.

I say in my testimony that I don't want to be a women business owner. Let me be a business owner; let me be equal to my competitors and everybody else out there in the face of my banker. It is true that all small businesses have these problems, all small businesses are undercapitalized, all small businesses have to put up personal backing, et cetera.

As a women business owner, I see discriminations that my cohorts in the Small Business Coalition of Missouri don't have. I had to bring my husband in to sign that loan with me. I know many of the people in our organization of 150 in St. Louis are an SBC organization. We work closely with SBA. They did not have to bring their wives in to sign loans. It was not venture capital. We are not venture capitalists.

But I am asking for operating capital. I think it could be a little bit. I think maybe he is misconstruing it at this point in time. But we are blatantly discriminated against.

Yes; all small businesses are. I work hard to help change those rules for all small businesses. I am here today for women-owned business, but since 75 percent of our economy is based on small business, that is what I am here fighting for.

Does that answer your question?

Mr. HILER. A little bit. You were giving, I think, some very good anecdotal evidence of what you experienced in participating in a couple of different groups. I just think of the number of small business people I meet back in my district. When I meet those who talk about having to get someone to cosign a loan or something, or be a guarantor for maybe a son that is starting out a small business or something, it seems to me that is—I guess what you are saying is it is more endemic to a woman-owned business, but it is a problem that is endemic to small business, I believe.

Am I mistaken?

Chairman LAFALCE. I think there is a hierarchy of discrimination. You are discriminated against if you are small. You are specially discriminated if you are small and a woman. Then you are especially discriminated against if you are small, a woman, and black.

Mr. HAYES. That is right.

Ms. JORDAN-DELAURENTI. I think that says it. I think what we were trying to demonstrate by our experience is that we women business owners are not treated as capable, competent people. I think your example, Congressman, was a good example to point out what we feel.

Yes; many times a young son who does not have experience, who comes into a business, is asked to have some cosigner. But we are talking about experienced women business owners who have established records, who have established credit records and still get the same kind of rejection.

I think the difference is that we are not regarded as competent people in the banking community.

Mr. HILER. My father had a very successful business, went out to start another business, and they wanted a personal guarantor of that loan. He ended up telling the bank to forget it.

It just seems to me that there may be a particular problem here, but there is generally an access to credit, an access to capital. When you look at where the capital comes from for small businesses, it comes from one's own pocketbook, family, friends. That is where the capital comes from. Somehow, if we were able to—we have two things we have to work on here.

One is, of course, improving access to credit and capital for a woman-owned business, but the other is to improve access to credit and capital for all small businesses.

Ms. JORDAN-DELAURENTI. Absolutely.

Mr. HILER. It is not a zero-sum game, where if we improve your access, it takes someone else's access away. What we have to try to do is improve the overall——

Ms. JORDAN-DELAURENTI. That is correct. Every time small business is improved, we are improved. There is no doubt about that for all of us.

Mr. HILER. I appreciate your comments. Thank you.

Chairman LAFALCE. Thank you very much. I say that to the members of the panel, and to the members of the committee, and most especially to the members of the panel. You have been extremely informative and insightful. We are extremely appreciative for that.

Thank you very much.

[Whereupon, at 11:45 a.m., the committee was adjourned, subject to the call of the Chair.]

NEW ECONOMIC REALITIES: THE ROLE OF WOMEN ENTREPRENEURS

WEDNESDAY, MAY 11, 1988

House of Representatives,
Committee on Small Business,
Washington, DC.

The committee met, pursuant to notice, at 9:10 a.m., in room 2359–A, Rayburn House Office Building, Hon. John J. LaFalce (chairman of the committee) presiding.

Present: Chairman LaFalce; Representatives Torres, Olin, Hayes, Lancaster, Campbell, Price, Hiler, and Gallo.

Chairman LaFalce. The Small Business Committee will come to order.

Executive Order 12138, dated May 18, 1979, created a National Women's Business Enterprise Policy and prescribed arrangements for developing, coordinating, and implementing a national program for women's business enterprise. The Executive order recognized the significant role which women entrepreneurs can play in promoting full employment and economic growth. It recognized the many obstacles facing women entrepreneurs, and it recognized the need to aid and stimulate women's business enterprise.

The Executive order provided for affirmative action by Federal agencies to facilitate, and to strengthen, and support such enterprises, to prohibit and discourage discrimination, and to create programs responsive to the special needs of women as entrepreneurs. Such activities were to include management, technical, financial, and procurement assistance; education, training, and information dissemination; and procurement.

The Executive order established an Interagency Committee on Women's Business Enterprise to oversee the action ordered, to develop goals, policies, guidelines, mobilize resources, design innovative plans, promote research, convene and consult with experts, and assess progress.

All Federal agencies were to assist and cooperate, but SBA was given the lead responsibility of providing an Executive Director, adequate staff, and administrative support.

In preparation for today's hearings, and to provide a comprehensive record for future action and recommendations, the Committee sent a letter to 21 Federal agencies requesting information regarding initiatives undertaken pursuant to the Executive order including procurement figures, grant or loan programs, data collection efforts, and any other efforts made in compliance with the President's directive.

It was fairly obvious from reading the agency responses that, for the most part, our governmental efforts in support of women's business enterprise are weak and ineffective, mostly window dressing and lip service.

For example, the SBA is the agency expected to provide special financial assistance for women. But, with the exception of a brief pilot miniloan program for women at SBA several years ago, the authority to provide such financial assistance has been ignored.

SBA business loans to women have gradually decreased in numbers, dollar amounts, and as a percentage of total loans. In 1984, women received 2,103 business loans for a total amount of $212.6 million, which represents 10.7 percent of the total number of loans to all businesses.

In 1987, those figures had fallen to 1,565 loans, for a total of $203.3 million, or 10.1 percent. During a period of astonishing business activity and increases in numbers and sophistication levels of women-owned small business, it is inconceivable that the demand for business loans for women business owners should decrease.

Federal agencies routinely establish procurement goals for contract awards to women. Since 1979, the percentage of prime contract awards to women-owned business has increased, but still remains at less than 1 percent, far below what I would expect their reasonable share to be.

This is not surprising, given the fact that only SBA and the Department of Commerce have established full-time positions to promote and facilitate women's business enterprise, and, in the case of SBA, its budget has been slashed; and with the exception of the Department of Commerce, no Federal agency reported any internal memoranda or policy letters to promote women's business initiatives.

The Interagency Committee still operates, but without any power or purpose. The committee issued its first annual report in 1980. The next annual report was not issued until September 1987. That report contained a one-page introduction, 15 paragraphs of text spread across six pages, and the rest of the 100-page report consisted of an appendix containing statistics, reprinted material, and a summary of five meetings. I think the report is an embarrassment and a waste of taxpayers' money.

Susan Phillips, Associate Director of Presidential Personnel, was appointed by the President to serve as chairman of the Interagency Committee on Women's Business Enterprise. Last month, we invited Susan Phillips to appear at today's hearing to discuss public policies and programs relating to these issues, but I regret that she has chosen not to appear or is unable to appear. But we will give her another opportunity.

In recent years, there has been much talk about support for women. I think it is time that we started to demonstrate some results.

This morning, we are pleased to have before us, representatives of two of the agencies that have been doing something about women in business. From the U.S. Department of Commerce, Ms. Kay Bulow, Assistant Secretary for Administration, and Ms. Carol Crockett, Director of the Office of Women's Business Ownership of the U.S. Small Business Administration, who was kind enough to come to my congressional district to participate in a seminar on women in business.

We also have Ms. Susan Hager, president of Hager, Sharpe, Abramson, Inc., in Washington, DC; and Ms. Susan Snyder, president of The Pathfinder Corp.

Is Ms. Bulow here yet? Is Ms. Snyder here yet? That being the case, we will ask Ms. Crockett and Ms. Hager to come to the witness table.

Carol, why don't we begin with you?

TESTIMONY OF CAROL M. CROCKETT, DIRECTOR, OFFICE OF WOMEN'S BUSINESS OWNERSHIP, U.S. SMALL BUSINESS ADMINISTRATION [SBA]

Ms. CROCKETT. Mr. Chairman and members of the committee, I am pleased to have the opportunity to appear before the Small Business Committee——

Chairman LAFALCE. Just 1 minute. Do any members of the committee have any statements that they would like to make before we begin?

Mr. TORRES. No, Mr. Chairman. Thank you.

Chairman LAFALCE. Please proceed.

Ms. CROCKETT. I am pleased to have the opportunity to appear before the Small Business Committee to discuss the Small Business Administration's program for women business owners. My testimony today will focus on the economic progress of women's business ownership and SBA programs that are so successful in assisting this progress.

In 1980, there were 2.5 million nonfarm sole proprietorships owned by women which earned $36 billion in annual receipts. In 1985, our latest figures, there were 3.7 million with receipts in excess of $65 billion. This accounted for 12 percent of total sole proprietorship receipts compared with 8.9 percent in 1980 and represents an increase in receipts of 80 percent.

SBA data show that women are starting businesses at almost twice the rate of their male counterparts and that almost 3 out of 10 businesses are owned by women. Recent figures indicate that 25 percent of all women businesses are 1 to 2 years old. We expect this solid growth trend to continue.

But where are women heading? In 1980, 73 percent of women businesses were in the service and retail areas. In 1985, this percentage increased to 81 percent. However, we are seeing remarkable growth in the less traditional industries of construction and manufacturing.

Between 1980 and 1985, receipts for women business owners in service rose 140 percent. In that same period, receipts for women business owners in construction and manufacturing rose 200 percent.

Women have also made considerable strides in the area of procurement. In 1980, only .37 percent of Government contract awards were made to women. Today it is at a level of 1 percent. In 1987, we exceeded our goal by $235 million, while overall Government procurement declined by $1.8 billion.

With the increase of women-owned businesses in manufacturing and construction, we estimate that figure to increase dramatically in the next few years. So, the outlook is positive.

The SBA's Office of Women's Business Ownership has many and varied programmatic responsibilities which include:

One, to develop and encourage education and marketing opportunities for women business owners through quality conferences and workshops, trade missions, and utilizing the resources of public and private sector cosponsors and management experts.

Two, to negotiate Federal prime contracting goals for women-owned businesses.

Three, to provide support for the Federal Interagency Committee on Women's Business Enterprise.

Four, to act as an advocate for women business owners.

And five, to effectively disseminate all appropriate information. The delivery of the program is carried out at the 75 district and branch offices by a women's business ownership representative and in each regional office by a women's business coordinator.

This office now effectively serves a constituency of nearly one-third of the small business community and provides an outreach program which assists, strengthens, and promotes women-owned business throughout the country.

Misunderstandings concerning the status of women business owners stem from the lack of a comprehensive statistical information system. Because of this, the Office of Women's Business Ownership has taken the initiative to sponsor research by the Internal Revenue Service, the Bureau of the Census, and SBA's Office of Advocacy. Each year, since 1980, has shown a statistical data improvement. It is clear, more updated information is necessary.

Since 60 percent of women who started business today have no previous paid managerial experience, the Office of Women's Business Ownership has improved their skills in the areas of marketing, finance, inventory control, and production through targeted seminars, conferences, and instructional materials.

The Office of Women's Business Ownership has been involved in a myriad of activities which encourage the full and equal participation of women business owners in selling their goods and services to the Federal Government.

As director, I feel business ownership education and planning are the most important aspects of starting a successful business.

We have provided the assistance necessary for women not only to consider starting a business, but to actually make that dream a reality through realistic advice and information.

In addition to my responsibilities at the Small Business Administration, I also serve as executive director of the Interagency Committee on Women's Business Enterprise.

This committee is responsible for carrying out a Presidential mandate to promote——

Chairman **LaFalce**. What is your position there?

Ms. **Crockett**. Executive director.

With the Presidential mandate to promote, monitor, and coordinate Federal efforts on behalf of women business owners. Membership of the committee is drawn from major Federal departments and agencies and reflects the wide scope of governmental policy areas.

Mr. Chairman, members of the committee, based on the available information from our data base it is clear that women as a group are a viable and rapidly growing contributor to the Nation's economy. The growth in just the last 8 years is probably the most expansive increase of any one group in this century. By all accounts, it will continue to grow. By the year 2000, it is expected that one-half of all self-employed individuals will be women.

From the data we have today, we know that the needs of women today are different than a decade ago, and we must constantly monitor and provide for these needs. Women are entering the mainstream of commerce at a rapid rate, and, certainly, by the end of the next decade, this will have been accomplished.

Thank you, and now I am happy to answer any questions you may have.

[Ms. Crockett's statement may be found in the appendix.]

Chairman LaFalce. Before we go to questions, I think it will be appropriate to hear from the other witnesses.

Ms. Hager.

TESTIMONY OF SUSAN HAGER, PRESIDENT, HAGER, SHARP & ABRAMSON, INC.

Ms. Hager. Thank you, Mr. Chairman, members of the committee. I am Susan Hager, the founder and president of Hager, Sharp & Abramson. It is a public relations firm here in Washington.

We are the fifth largest independently owned agency in the area. I am also a founder and the first National president of the National Association of Women Business Owners, and since 1973, have been part of the NAWBO team working to bring women business owners and women's business enterprise into the public policy arena.

I think it is in that capacity that I have been asked to comment on the effectiveness of the Federal Government programs that are set up to support women business owners, and on what makes them successful.

As I think everybody knows, in 1972, women business owners were virtually invisible from a public policy standpoint. Since then, there are many Federal programs and many programs have been set up to support women business owners.

We applaud all of those initiatives and programs. Unfortunately, we are now at the point in taking a look at all of these programs where we have to say that they are not quite achieving the results that we all hoped for. They are not making a difference is the bottom line.

Let me give you a few examples of that. For example, the Federal Reserve Board, in its role as the Government's primary financial monitor, is certainly very interested in entrepreneurship. Martha Seger, who is a member of the board of governors, is definitely supportive of women.

The bottom line really is women still do not have access to commercial credit. The access to commercial credit data we really should have.

The interagency task force produced a booklet on women business owners selling to the Federal Government. The GSA, the Labor Department, Agriculture Department, AID, and many, many agencies have programs and seminars to train women on getting contracts and on procurement. The Commerce Department sponsors Megamarketplace. It is a terrific program. It has really been successful. We at NAWBO are committed to keeping that going and making it successful. We worked with Kay Bulow very closely on that.

While we are getting many, many more women trained and knowledgeable about the Federal system, the bottom line is the contract and awards are still 1 percent. It is 1 percent or less. We will talk about that. I am glad to hear it is up to one of the Federal prime dollars.

Carol has been testifying about all the great things happening at SBA. We applaud all your efforts. Carol, we are glad you are there, all of those things. But we didn't read about these great reports and all of these gains in the SBA's report to the President. We didn't see any gains made by women owners in procurement, loan dollars, or any other areas. So, why is it that Federal programs that we were all so hopeful for and we all care about so much, really aren't working?

I think part of the answer is that Government programs are based on some assumptions that are no longer valid. For example, most of the Government initiatives directed at women entrepreneurs and procurement are based on the premise that limited resources are best spent in training for women business owners. We agreed with that premise through the Ford administration, Carter administration, and Reagan administration, but looking at the results, I think we can no longer say if only the women were better trained, they would have access to the Federal Government procurement system. I think perhaps women might best be served if the Federal Government procurement officers were getting the training.

Many of the other Government programs, loan programs, management programs, and so on, are based on a premise that there should not be separate programs for women. that women business owners should become part of the mainstream of all of these programs. Again, we agree in principle with that, with mainstreaming. Mainstreaming to me and to us means getting women included into existing programs. That is very valid. That is exactly what we hope for. But unfortunately, mainstreaming seems to have been interpreted in many of the agencies to mean a return to the good old days when they didn't have to deal with women as a constituency group. Mainstreaming seems to be business as usual. In some cases it is a step backward.

Just as an example, Carol heard about this before, but just on the SBA national advisory council, for example, for years we had a women's committee, a committee on women's business enterprise, part of the setup within the NAC. That was disbanded in order to mainstream women in all the other committees. After that was stopped, our next meeting in South Carolina, we had 46 men and 3 women on the 3-day agenda. We never heard a word about women. It was a return to 1972. Of course, I came back and mounted a campaign. At the next meeting there's Carol. But it shouldn't take that.

What have we learned from all this? To put it as briefly as possible, I think we learned training programs, in and of themselves, don't get results. I think we learned mainstreaming has not brought women into the system. I think we have also learned that program initiatives directed to women entrepreneurs are simply not enough of a priority in the agencies to bring about bottom line result, and that frequently the staffers who run those programs are not part of the senior management team. They are seldom part of the senior management team. They are seldom in position to make women's business enterprise a priority within the agency.

So, after 13 years we have sort of come to the conclusion that we need congressional mandates and oversight in order to move women business owners into the economic mainstream.

I know, Mr. Chairman, you say what can we do about it? You say that at every hearing I have ever been to. We think we have some answers to that, what Congress can do. We think that in order to make real progress, we definitely must have it—we need an amended Equal Credit Opportunity Act. That is all there is to it. We need a women's business owners policy council that reaches across the Federal Government and has the commitment of the highest level officials. It should target goals, measurable ones, results for each agency. We need Congress to mandate each department and agency to develop plans to include women in the contracting and procurement, in policy making, international trade, in outreach, in advisory committees, in commission appointments, to use every opportunity available to open their system to women business owners. We need Congress to oversee the plans, the implementation of those plans, and the results.

Thank you. That is exactly 5 minutes, so I will stop.

[Ms. Hager's statement may be found in the appendix.]

Chairman LaFalce. Thank you. I regret Ms. Bulow and Ms. Snyder have not arrived yet. Since they haven't, we have some questions for the two of you.

There are some statistics here that are pretty impressive. There are some figures that do look good or could be bad depending upon the interpretation, for example, the procurement figure. In 1980, it was only .37 percent. Today it is approximately 1 percent. I am wondering, though, if that is really keeping in pace with the increase of women in the business community.

Let's say it was .4 percent or 1 percent. Have the number of women businesses that could take advantage of the Government contracts increased at an even higher percentage of that? We are starting at a ridiculously low base, so if the base was so low to start, should we be at 2 or 3 percent?

What yardstick should we use to determine the accuracy of our efforts and the adequacy of the results which differs from the adequacy of our effort. These results may have come about only through arduous efforts on the part of individuals in Government.

My probable assumption is that they came about without all that much effort on the part of Government officials.

Ms. CROCKETT. With regard to the figure of 1 percent in proportion to the number of the growth of women in business, generally I agree it is not proportionate.

Chairman LAFALCE. What would proportionate be?

Ms. CROCKETT. Comparatively, we would like them to do equally well as men. That would be our goal. So, I would say we would like to see it be half. That would be ideal.

Unfortunately, if I may add that most women-owned firms in this country today are a year old or less. They have one to two employees, or under five employees generally, and really are not yet in a position to compete for these prime contract dollar awards.

We hope that the numbers of individuals who are going into manufacturing and construction will be able to achieve greater dollar awards and that service businesses, when they grow——

Chairman LAFALCE. Ms. Crockett, let's just focus on procurement at this point. Tell me what process has been historically used for determining what goals should be for each agency.

Ms. CROCKETT. The process is that the Federal departments and agencies submit to the SBA their goals, and what percentage, and so forth, that they intend to achieve. The SBA looks at the past 2 years records.

Chairman LAFALCE. They don't have any set-asides?

Ms. CROCKETT. No; we do not. We have goals.

Chairman LAFALCE. What is the process for determining those goals? To what extent is your office involved in determining what goals should be for each of the Federal agencies?

Is that your responsibility under the law?

Ms. CROCKETT. Yes; it has been.

Chairman LAFALCE. That is the process I want to hear about.

Ms. CROCKETT. The goals that are submitted to the agency are reviewed by my office. The goals are submitted officially to the Office of Procurement Assistance.

Chairman LAFALCE. Somebody else suggests the goals?

Ms. CROCKETT. The information is sent to us by the departments and agencies as to what the goals should be. We look at the past 2 years' record of accomplishments and try to move that forward. In fact, we have been successful in this effort and overall procurement.

Chairman LAFALCE. Do you have a flowchart for each agency as an appendix which would indicate what their percentage of contracts were and what their percentage of dollar amounts were for women-owned businesses in 1982 and 1983, and do you have that compared to the goals?

Ms. CROCKETT. Yes, Mr. Chairman; we do. I would be happy to supply that for the record.

[The information may be found in the appendix.]

Chairman LAFALCE. Do you have that with you?

Ms. CROCKETT. I do not.

Chairman LAFALCE. I wish I had it now, because that is very important. Has that been included in any type of report that has ever been submitted to anybody?

Ms. CROCKETT. I don't believe it was in the Interagency Committee report. However, it has been in the executive summary which was distributed to members of the Interagency Committee and to the various departments and agencies.

Chairman LaFalce. Was that included in the President's Small Business Report?

Ms. Crockett. It was not.

Chairman LaFalce. That is rather disturbing to me, too. This is an important issue, and it has never been included in President Reagan's Small Business Report. It has not been included in the one report that was made by the Interagency organization. Is that correct?

Ms. Crockett. May I correct myself? It was, I believe, for 1986 included in that by——

Chairman LaFalce. Was there an interagency report? My staff told me there was only an interagency report in 1987.

Ms. Crockett. There was one in 1980 and one in 1987.

Chairman LaFalce. 1980 and 1987?

Ms. Crockett. That is correct, and there will be one in 1988.

Chairman LaFalce. I am sure there will be. Did the 1987 report have this data regarding goals, procurement, et cetera?

Ms. Crockett. Are you speaking of the Interagency Committee Report?

Chairman LaFalce. Yes.

Ms. Crockett. Yes; it did.

Chairman LaFalce. I am talking about the manner in which it is presented, so we can see progression, so we can see goals, et cetera.

Ms. Crockett. ~~By~~ year, it did not.

Chairman LaFalce. I am not talking about 1 year.

Ms. Crockett. It did not break out the agencies by year.

Chairman LaFalce. I am looking at a document dated March 1988, a procurement and management report for women-owned businesses for 1987. Is this something that has been prepared every year?

Ms. Crockett. Yes; it has, or at least since I have been involved in the program.

Chairman LaFalce. Do you think that you could try to get me those reports for each year from 1980 to the present? And then could you also try to give me a year-by-year comparison, a progression chart, so we can see where we have been, where we have gone on a year-by-year basis in this regard?

Ms. Crockett. Absolutely.

Chairman LaFalce. Does such a document exist someplace already?

Ms. Crockett. We would have to compile that, but yes; all the information exists to my knowledge.

Chairman LaFalce. Yes; I think that would be helpful.

[The information may be found in the appendix.]

Chairman LaFalce. Well, what goes into determining the goals? You said 1 percent. So, I would assume that most agencies would average out to about a 1.2 percent goal or 1.1 percent goal. What is the goal for most agencies? What is the average goal for the Federal Government?

Ms. Crockett. I think that probably depends greatly on their projects.

Chairman LaFalce. Forget about each individual agency. What is the aggregate goal for the Federal Government with respect to procurement?

Ms. Crockett. We do not base it on aggregate goals. We base it on an individual goal based on the past performance.

Chairman LaFalce. I don't know if I am going to be at a disadvantage. Do you have an extra copy of this? Do you have one now? You just have this one copy?

Mr. Gallo. Mr. Chairman, could we also have a copy of that?

Chairman LaFalce. I have to Xerox it, but you should get one.

Mr. Gallo. Thank you.

Chairman LaFalce. I am looking at fiscal year 1987 goals and fiscal 1987 achievements. I guess there are discrepancies here. AID, for example, had a 3.6 percent goal, a 1.7 percent achievement level. On the other hand, Department of Commerce had a 2.8 percent goal and had a 5.4 percent achievement level. Maybe that is testimony to Ms. Bulow's efforts. I am not sure. We will have to distribute this report. Maybe we are going to have to sit down separately, Ms. Crockett, and determine how these goals were established, but only after we see the progression year-to-year.

Who within each agency is responsible for seeing to it these goals are accomplished? Who within AID?

Ms. Crockett. We deal with the Director of the Office of Small and Disadvantaged Business Utilization. Members on the Interagency Committee also have input into that goal process.

Chairman LaFalce. Unless either Mr. Lancaster or Mr. Gallo have questions of either Ms. Crockett or Ms. Hager now, it would be my intention to hear from Ms. Snyder, who just came in.

Mr. Gallo. I do have some questions.

Chairman LaFalce. Then we will hear from Mr. Gallo, and we are Xeroxing a copy of that report.

Mr. Gallo. Thank you, Mr. Chairman. I want to thank you, Mr. Chairman, for having this hearing, because I do think we are talking about a subject matter that is important to this country. It is putting emphasis in an area where emphasis should certainly be put.

I believe Ms. Hager indicated some areas that need expansion or certainly more effort in dealing with finances. I don't think there is any question that women have had greater difficulty getting access to credit.

At the same time, I think perception is also very important in dealing with these issues. I look at some of the statistics that I have dealing with the facts and figures, IRS statistics.

I, too, would like to ask Ms. Crockett, on the goals that I see here, it seems to be impressive as far as the increases going from the year 1979 to the year 1986, dealing with trends in Federal prime contract award activity to women-owned small businesses.

It would seem to me very clearly that each year the goals that were set were exceeded in many cases by a healthy margin. To have that mean something to me, the question is who sets that goal, who says that goal is the one that you are supposed to achieve? In many cases, in every case you have exceeded that, or the women have exceeded it.

The question is, who sets that goal?

Ms. CROCKETT. The Office of Women's Business Ownership establishes that goal with the various departments and agencies through the Office of Small and Disadvantaged Business Utilization within those agencies.

Mr. GALLO. Are those realistic goals?

Ms. HAGER. They are realistic, and that is what is happening. Again, 1 percent over this long period of time, I don't think is very impressive.

Mr. GALLO. You indicated in the early seventies, there was literally no effort in getting women involved in business-owned operations.

Ms. HAGER. And getting women in businesses involved in procurement. That is correct.

Mr. GALLO. When I look at the 1986 figures—

Ms. HAGER. I think we have to compare the rise in the goal with the rise in the increase of women-owned businesses and the success of those businesses. They are sky rocketing. Procurement is just sitting there. From that standpoint, I think there is a bit of a problem.

I basically, personally, and from a policy standpoint there has come up and said it must be *x* goal or *y* goal or any of those things. I think it is important that the program or the procurement works in a way that really works, it is not sort of a false kind of thing.

But it hasn't. I mean it is not. It is not moving very quickly. It is certainly not moving with the way the businesses are growing and the way the businesses are developing. I still think that a major piece of that is skepticism. I think a major piece of that is out and out they don't want to do it. We have always shied away for the set-asides and all those kinds of things.

The truth of the matter is, after all these years, I think there ought to be a mandate for set-asides. I take a funny approach at some of these things, like perhaps, let's set up now a mandate for set-asides that takes place 3 years from now if they can't figure out how to do it, only if they can't figure out how to do it. I think there are incentive kinds of programs that could take place that make some sense if the procurement policy was changed or some of the regulations were changed in a way that would build in incentives from the private sector, it could make a lot of difference.

If a prime contractor in a bid got one extra point over and above the points you can get on the programmatic side, one extra point for subcontracting with a women-owned business, a minority-owned business, one extra point for dealing with small-owned business, you can be sure in some of the competitions that are really tough, the big ones, something like where they are neck and neck, they will find them. They will find proper ones. The market will take care of itself.

I think there are lots of sort of different kinds of approaches. But, in fact, the approaches that are taking place now, I just don't think are adequate. I don't know how you can really say that if the businesses are growing three, four, five, it has grown at various times faster than men and the procurements stay the same, something is wrong there. It doesn't seem to be something we as business owners are able to do ourselves.

We have been able to do a lot for ourselves and to make a lot of different things happen. I mean the preschools are open; we are in the trade associations now; we made an enormous difference in the White House conference. We are integrated. We have made an enormous difference in the climate for women business owners for ourselves to work with the press and working with lots of different groups. But we cannot seem to crack procurement particularly and sort of get ourselves involved in the economic policy of the Government.

Mr. GALLO. I think a part of this hearing, hopefully, is to explore those areas and make some improvements. I know in my dealings with both SBA and the Department of Commerce in dealing with exports, we have had tremendous cooperation with both agencies in bringing about very successful seminars. We are having one on May 13 in which half of the participants are women. To me, although we are not dealing with a procurement process, you are dealing with involvement in women-owned businesses.

In the State of New Jersey, women-owned businesses are increasing two to one over men. So, there are some fantastic things happening.

I think it is important to note that some of the information SBA has been providing—they have not been blowing their horn enough—are positive improvements. To have more dollars committed to those areas could help bring about Federal program development and leadership to that end.

Ms. Crockett, do you feel the conferences are of value to the participants?

Ms. CROCKETT. Yes; I do. We cosponsor a great number of conferences. In the last 18 months alone, 29,000 women attended them. At our Financial Decisionmaking Conferences, 93 percent of the attendees said it was beneficial to them to attend; 70 percent indicated they would make changes as a result of the conference information they obtained.

Ms. HAGER. We go to conferences, we go to the training programs, seminars, conferences. We do our homework. I think the conferences and training programs are very valuable, really terrific, whether they be procurement, or export, or whatever.

At some point we have to look at the bottom line, which is not how many people go to conferences but how many go for procurement or export. There has to be some measure beyond going to conferences and exports. I do applaud those, though.

Ms. CROCKETT. I think the overriding factor in procurement and receipts has to do with the age of the women-owned businesses today. They are very new and very small. As individuals increase the size of their firms, they will be competitive, and they will be earning more in terms of receipts.

Many receipts that we capture today for sole proprietorships are really part-time businesses, where the individual may be working full time and establishing the business part time. It takes time for viable receipts to show. It is only a matter of time.

The energy, the drive, and the competitiveness are there, and it will occur.

Mr. GALLO. You mentioned you constantly monitor and provide information to women business owners.

What do you see as the current issue to be of benefit to the women business owners?

Ms. CROCKETT. I think there is a great need for or benefit to long-term training and counseling. I think beyond the conferences, we can do more of this. We can offer that currently from SBA programs in SCORE, the SBDC's, and the American Women's Economic Development Corporation [AWED], a nongovernmental organization, which offers quality long-term training and counseling programs.

In fact, I have encouraged AWED to become a national organization.

Chairman LAFALCE. Ms. Patrick's group?

Ms. CROCKETT. Yes.

I think it would benefit women business owners to have a national newsletter with information on all events, issues, and legislation, et cetera. That could be provided by the private sector. I have already talked to individuals who think they can provide that sort of service.

Another area is the need to capture subcontracting information. But there is a greater need, however, and that is to assist women business owners to be cleared on the bidders' list for these prime contracts, and we can do that through SBA educational programs.

Mr. GALLO. Has there ever been an analysis in dealing with the charge-off rate for men and women?

Ms. CROCKETT. The overall charge-off rate in direct and guarantee loans in the time period 1984 to 1987 was 4 percent overall. For women the charge-off rate was 6 percent. To me, that indicates that women need more assistance in financial training and planning.

I read the testimony from yesterday concerning the Touche Ross Michigan study. What was not in the testimony, but contained in the report was that 43 percent of the individuals who were turned down for a loan did not even have a business plan. These were established businesses. So, it points up that we need this type of education.

Another factor that plays into this is that the smaller the business, the riskier the loan, and the newer the business, the riskier the loan. Women-owned firms tend to fall into both categories.

Chairman LAFALCE. Our next witness is Ms. Susan Snyder, president of the Pathfinder Corp.

We will put the entire text of your remarks in the record. You may read it if you wish, or you may have it included in the record.

TESTIMONY OF SUSAN SNYDER, PRESIDENT, THE PATHFINDER CORPORATION FOR INTERNATIONAL TRADE

Ms. SNYDER. Mr. Chairman and members of the committee, my name is Susan Snyder. I am president of the Pathfinder Corporation for International Trade, a firm in its tenth year specializing in export trade and overseas business development.

Pathfinder functions in diverse business sectors from waste management, to consumer goods, and professional services. Our clients include companies of all sizes; the majority come from Europe and the United States.

Before founding Pathfinder, I worked overseas for 8 years for a major foreign-owned multinational corporation, first as market strategist for development and diversification and then as head of a subsidiary company's worldwide export organization. Our objective was marketing sophisticated electronic instrumentation and integrated systems. My primary focus was in European and East-West trade.

My comments to you today are made in the context of this experience as a woman in business.

Unlike my colleagues here this morning, I have not participated in formulating or implementing policy or programs supporting women entrepreneurs. Nevertheless, an understanding of the impulse driving women entrepreneurship is useful if policy is to be truly effective, and I am honored to have been called to provide a view from this perspective.

It is appropriate to note also that my perspective excludes having conducted business with the beneficial aid of a support program for women business owners. It is gratifying to see the attention being focused on women in enterprise by the Committee on Small Business.

Descended from American settlers whose women worked by necessity alongside their men, I was, however, fortunate to have been raised in a family that believed in encouraging its daughters to attempt excellence in whatever field of chosen endeavor and to do so at the limits of the boundary of what is practicable. My education was obtained at a liberal arts college in New England, a seven sisters school, which is the oldest continuing institution for women's higher education. This strong tradition, quiet yet persistent, has equipped me with the internal resources necessary to venture into modern business in a man's world. That it is a man's world has never been a subject of doubt for me.

When I was a sophomore in college, I was hired for summer employment by a Fortune 50 American corporation. My friends from the still-male Ivy League were enrolled in the company's summer management training program, positioned as future executives on the fast track. I was employed in the duplicating department operating a photocopy machine. Recognizing this uncomfortable fact, the company enrolled me in a program learning to operate state-of-the-art typesetting equipment. I was appreciative for such a gesture of thoughtfulness.

The anecdote is not presented with irony or animus. A summer episode, it appears to be of little lasting harm. It ranks among the mildest of the difficulties I have encountered in business. The spontaneous effort at justice during an era when women's issues were almost nonexistent was even surprising.

But the tale serves as a case in point, illustrating why women of various backgrounds have found it strategically wise to short-circuit the corporate mainstream and develop business activity as entrepreneurs.

While in the corporate context, I never occupied an existing job. During my employ with large corporations, American or foreign, my jobs were of my own design and earned through my own powers of persuasion. These deals were made on the basis of my receiving a lowered pay scale in exchange for the enviable right to enter the control room, participate in the game with an appropriate title, and obtain the opportunity to succeed or fail on the basis of performance.

The vigor and success of women entrepreneurs is explained in part by their intense desire to depart from ordinary or staff functions and to compete in business, incurring all the challenges and risks that entrepreneurship entails. These conditions provide the rationale for my decision to leave the protected environment of blue-chip corporate enterprise and become an entrepreneur.

Fortunately, I am still too young to indulge in this biographical commentary for the purposes of reminiscence. My aim has been to use experience as a launching point for characterizing the enormous resilience, tenacity, and purposefulness of a labor pool available to the United States whose energies and talents are underutilized at a time when American economic competitiveness is being severely tested.

Aside from the issues of fairness and equal access which have been raised elsewhere in these proceedings, it is my opinion that the broad public interest would be served by supporting women entrepreneurs. To ignore this resource or to permit it to be handicapped through indifference would be a breach of leadership when the public interest should be served.

It is my experience that many women entrepreneurs, rather than being a group requiring remedial help, represent a valued, dynamic resource in pursuing vital American economic interests. I believe this fact exists in the area of trade where our negative balance of payments is a source of grave concern to thoughtful Americans and internationalists as well.

The trade situation can be summarized briefly. In 1960 the United States occupied 25 percent of world trade in manufactured goods. In 1970 America's share declined to 21 percent. In 1980, not only had this share diminished to 18 percent, but the United States lost its position of world leadership in manufactured exports. If the United States had maintained its market position, it would have entered an additional $60 billion to $90 billion in export sales, reducing our annual trade deficit by about half.

In overview, this trend is understandable. As our multinationals matured, their extensive operations became increasingly integrated in local economies, and production sources were diversified. This trend reflects the normal cycle of multinational activity. Unfortunately, our leading trading partners were poised to take up the trade slack with smaller and less cumbersome, more aggressive companies.

Small- and medium-sized American companies can provide similar trade impetus. A recent survey by Touche Ross has found that 4 out of 5 new businesses nationwide are women-owned. It is a matter of simple deduction to observe that such a group presents a wellspring of talent and drive for trade-related business activity.

Quantified information on women entrepreneurs in trade is rare. Relying on empirical fact, I can speak of one case first-hand.

Pathfinder survived an arduous startup period. We chose not to operate within programs because we felt that finding access was too problematic and the probability of obtaining assistance too unpredictable to count on.

Functioning in an elite arena of international finance and negotiation, we have leveraged our assets to the max, taking less in order to compete successfully. Without significant financial reserves, we called upon borrowed power to legitimize our efforts. The process has been laborious but worthwhile.

In the fragmented consulting arena, the challenge we now face is how to acquire critical mass and assume leadership in a field which has enormous potential as the world becomes a global market. We feel this sense acutely as major developments occur in Europe with 1992 approaching and as East-West trade emerges in Soviet Europe with the trend toward Glasnost.

At this stage in our corporate existence, we take pride in having helped American businesses to export, succeed at joint ventures with international partners, or expand through subsidiaries. Our results are accruing, seemingly too gradually.

I am persuaded that the overall trade result can be multiplied by the efforts of many small and medium business participants to yield a measurable benefit to America's trade performance and its continued position in world economic leadership.

To maintain our economic vitality, we need successive cycles of vibrant, aggressive companies. With four out of five new companies started by women entrepreneurs, this valuable resource holds potential.

Survival aside, my interest as a small business owner has been to develop the capital reserves necessary to build our organization into a recognized, forceful, significant, albeit small player in the area of international trade.

Looking at the essence, rather than the letter of policy, the primary means, in my judgment, for increasing women entrepreneurship is through open access. From our standpoint, we do not need aid per se. We are entrepreneurs willing to take risk positions in our business activity. However, we do require equal access, as would any firm, if we are to succeed.

Such access is needed in two critical areas: For business credibility and operational success, access is needed to persons holding decisionmaking power, who will lend an egalitarian ear to one's business premise; and for financial success, access to Government procurement is a vital necessity.

In order for women to be enabled to make the contribution they wish to make, these elements are critical—equality on economic and operational playing fields. Other specific issues have been raised during these hearings. In sum, women entrepreneurs need the assurance that they will be included in the Nation's business process. Consistent, predictable access in the Federal arena would be a substantial gain.

In the exchange of ideas about Government's appropriate role ranging from interventionism to total passivity, it has become evident that basic leadership in policy matters is our Government's responsibility.

The difference between laisser faire and laisser aller is also becoming distinct. Laisser aller, allowing policy to float in any direction, is naive. Laisser faire, letting business proceed, requires a freedom that only Government can insure.

I think that women entrepreneurs simply ask for the ability to be permitted laisser faire in business with the assurance that barriers are dissolved.

Thank you.

[Ms. Snyder's statement may be found in the appendix.]

Chairman LaFalce. Thank you very much, Ms. Snyder.

Before we go to the continued questioning, we will hear from Ms. Kay Bulow from the Department of Commerce.

Ms. Bulow, you know the rules of the game. We can put your testimony in the record. But you have a very short statement. Why don't you go ahead and read it.

Ms. Bulow. Thank you, Mr. Chairman.

TESTIMONY OF KAY BULOW, ASSISTANT SECRETARY FOR ADMINISTRATION, U.S. DEPARTMENT OF COMMERCE

Ms. Bulow. My name is Kay Bulow, and I am Assistant Secretary for Administration for the U.S. Department of Commerce.

I am very pleased to be asked to speak today on Federal efforts and initiatives on behalf of women-owned business, because I have made increasing procurement from women-owned business one of my top priorities.

Moreover, the entire Federal Government has shown a steady increase in procurement from women-owned business. Since 1979, Federal procurement from women-owned business has risen from $181 million to over $1.5 billion in 1987. While this is still far too low, it represents a steady and significant increase by all departments.

This achievement has been the result of major efforts in many areas. The major procuring agencies have women business representatives who initiate workshops, conferences, and outreach; publish directories of women business owners and handbooks containing agency procurement information; offer counseling to women about Federal contracting; and meet on a regular basis to study methods of solving common problems. In our Department, and I am sure in many others, we supply a bidders' list of women-owned businesses whenever an appropriate procurement requisition is received.

As I see it, the biggest single problem facing women-owned business in dealing with the Federal Government is determining which procurement offices have a need for their goods and services, and then getting started with a broad marketing strategy.

There are some 3.7 million women-owned businesses in the United States. Our job is to reach out to these businesses and help them become suppliers to not only the Federal but also State and local governments. It is a massive job, but we are making a start.

For example, I organized an outreach program for the Department of Commerce to add the names of women-owned businesses to SBA's Procurement Automated Source System [PASS] which is used as a bidders' list by all departments. At that time, there were less than 10,000 women-owned businesses on the list, and we raised that to 30,000.

Examples of other outreach efforts were three Megamarketplace procurement conferences for women in 1986 and 1987, cosponsored by Commerce and the National Association of Women Business Owners, in which all Federal departments participated with excellent results.

I believe that women should begin by marketing their capabilities to the small purchase offices within the Federal Government. This is a lucrative marketing area for small businesses and provides a foot in the door which can lead to opportunities to bid on larger contracts. For example, we have just issued two contracts to women-owned businesses which, with options, can total $9.5 million and $11.9 million respectively.

We need better data on small businesses which are women-owned, and the Office of Federal Procurement Policy [OFPP] has just directed that the Federal Procurement Data System [FPDS] will break down procurements to women-owned business by small business and by others, which will give us a much better idea of the type of women-owned businesses we are dealing with.

As I noted, there has been a steady and significant increase in procurement awards to women-owned business. But increasing these awards is a slow process. Very often, years elapse between marketing an agency and signing a contract. Acceptance of women as viable contractors has been difficult, but it is happening.

It is essential that we continue to expose women business owners to the Federal marketplace by providing annual conferences and encouraging their attendance at the congressionally sponsored Federal procurement and export development conferences and other similar events.

Finally, although I have been speaking solely of Federal procurement, there is another major potential market for women in State and local government procurement, and one which they should be encouraged to aggressively pursue.

That concludes my statement. I will be glad to answer any questions.

Thank you, Mr. Chairman.

Chairman LaFalce. Thank you, Ms. Bulow. I thank you and Ms. Crockett for your own individual efforts, especially as it relates to the Megamarketplace.

Maybe that is because you have been in the Megamarketplace in cosponsorship with others. Maybe that is the joy of cosponsorship; then if it is bad, you can blame somebody, and if it is good, you will be praised.

A few years back, I had the goal of seeing enacted into law Public Law 95-507, which created the requirement for the best effort subcontracting. We have about 1 percent in Government contracts presently going to women-owned businesses and 99 percent going elsewhere. But these 99 percent going elsewhere do a lot of subcontracting. We have a very fertile field there, it seems.

What are we doing to aggressively pursue and measure the participation of women-owned businesses, as prime contractors and as performers of a portion of the subcontracts?

Ms. Crockett. May I respond?

Chairman LaFalce. Sure.

I think we have an Achilles' heel here. Let's resolve to do something about it through my continued foresight and your enhanced abilities in that field.

Ms. CROCKETT. I have spoken with the Office of Small and Disadvantaged Business Utilization Directors. As Federal forms were being revised, I had asked that we include reporting information on subcontracting with major prime contractors by women. This was not considered possible in the long run. I did query several major prime contractors.

Chairman LAFALCE. Do we not require by law that best efforts be made not only for minorities as traditionally defined, but also for women?

Ms. CROCKETT. Yes.

Chairman LAFALCE. Do we not include in the contracts with the primes a requirement that they use their best efforts not only with respect to minorities as traditionally defined, but also women?

Ms. CROCKETT. Yes.

Chairman LAFALCE. Do we not establish goals with respect to minorities for subcontracting purposes?

Ms. CROCKETT. Yes.

Chairman LAFALCE. Is it true that we do not establish goals with respect to subcontracting with respect to women?

Ms. CROCKETT. This office does not.

Chairman LAFALCE. Is that not a gross inequity?

Ms. CROCKETT. I don't think we need necessarily to establish goals. First we need to find out how much subcontracting is being done by the primes with women business owners before we can make any public policy decisions.

Chairman LAFALCE. Why don't we compromise and say we should do both simultaneously?

Ms. BULOW. Since I am in procurement, let me tell you what we do in Commerce.

Chairman LAFALCE. I think we can do tremendous things with subcontractors, and I know we have to do it.

Ms. BULOW. Well, let me say two things.

In subcontracts, the Office of Small and Disadvantaged Businesses also works with them on a voluntary basis to give equal consideration to women business owners who are part of the set-aside.

Chairman LAFALCE. Isn't there an inherent conflict there?

Ms. BULOW. I don't see an inherent conflict. They are a small business, and there is an overall goal.

Chairman LAFALCE. But they have a difficult time achieving goals for minorities. Don't they really have to have somebody else speaking up on behalf of women? Otherwise, might not OSDB feel that they are robbing Peter to pay Mary?

Ms. BULOW. The OSDB speaks on behalf of minorities and women. We have a fairly successful track record.

Chairman LAFALCE. Let me continue to interrupt you.

In your testimony you mentioned that the major procuring agencies have women business representatives.

Ms. BULOW. That is correct.

Chairman LAFALCE. Is the major women business representative in these agencies someone different than the OSDB?

Ms. BULOW. Generally they are a member of the OSDB, Office of Small and Disadvantaged Businesses.

Chairman LAFALCE. They would be a lesser official within that office?

Ms. BULOW. That is correct.

I would have to take exception to a lesser official. It is a member of the staff.

Chairman LAFALCE. I think it is a fair statement. You may take exception.

Ms. BULOW. I would have to take exception because of the individual who works for me.

Chairman LAFALCE. When you say somebody works for you or under you, they are not generally on the same level. But reasonable people can differ on that.

Ms. BULOW. Another thing we do is the megamarket contractors. We go after the primes to represent their businesses at the megamarketing places to the women business owners.

Chairman LAFALCE. I think that is good. We have had three Megamarketplaces. So, obviously, we have to go beyond that.

Ms. BULOW. There is one scheduled for Chicago this year, too.

Chairman LAFALCE. What I am talking about now is looking toward a means to pursue additional subcontracts on each and every contract, because it is already in the contract with the prime, correct? So, every prime has a legal obligation to at least make best efforts.

Now, the question is, should we have goals for prime contractors. Since we have goals for minorities with respect to subcontracts, it is difficult to understand why we should not have goals for women.

Is there a legal requirement for goals with respect to minorities insofar as subcontracts are concerned, or is this something that has been done administratively?

Ms. CROCKETT. That is statutory. That is my understanding of it.

Chairman LAFALCE. Is there any legal requirement for goals with respect to subcontracts for women?

Ms. CROCKETT. Not to my knowledge. I would like to capture the information that is currently available before we make any policy decisions as to what the next step is.

Chairman LAFALCE. Let's talk about measuring whatever efforts exist. Theoretically best efforts are being made because that is a contractual obligation. We have some means of measuring the best efforts with respect to traditional minorities, but we have no means of measuring the best efforts with respect to women.

Ms. CROCKETT. Subcontracting information, no; we do not collect that data.

Chairman LAFALCE. Have you ever asked or has Ms. Bulow asked, has the issue arisen at the interagency council as to whether or not we should collect this type of data?

Ms. CROCKETT. I have indicated earlier that I did talk to the council of OSDBU's when a particular Federal reporting form was being revised, and asked that this information be included on that form.

Chairman LAFALCE. What was the result of that?

Ms. CROCKETT. The result of that, after considerable debate, was that they did not feel that it was feasible. As a result of that, I contacted several major primes.

Chairman LAFALCE. What would be so unfeasible about it? It seems to me it is a simple request.

Ms. CROCKETT. I agree with you, Congressman.

Chairman LaFalce. Was this issue addressed by the interagency council on women's business activities?

Ms. Crockett. A corollary to that has been addressed, and that is when we considered the issue of goals for Federal prime contract dollars to be made as part of the performance goals or objectives of the employee.

Chairman LaFalce. When is the next meeting of the interagency task force?

Ms. Crockett. June 14.

Chairman LaFalce. I think that would be a propitious time for them to consider the letter they received from me, as chairman of the Small Business Committee, requesting that they make an effort to establish goals and collect data with respect to that.

Ms. Crockett. I am certain the committee will be happy to respond to that.

Chairman LaFalce. I have more questions but I will call on Mr. Price at this time.

Mr. Price. Thank you, Mr. Chairman.

Ms. Crockett, your statement details a wide range of activities having to do with economic opportunities for women entrepreneurs. There is a lack, though, in some cases, of quantitative data as to how widespread these activities have been.

I wonder if you could fill in some of the gaps. You talked about the efforts of your office to improve the skills of women in marketing, finance, inventory control, and production, and stated that one method used to develop these skills has been seminars.

How many of these seminars have been held? Is there any way to gauge the extent of this activity as well as to identify the nature of it?

Ms. Crockett. It is quite extensive because we deliver that through our extensive field network of 85 offices. In the last 18 months we have sponsored conferences that have attracted 29,000 women. I think that is fairly significant.

Mr. Price. The meet the lenders programs. Do you have any quantitative estimates of how extensive that has been?

Ms. Crockett. I will be happy to give you that specific information for the record. It has been very successful.

Mr. Price. It would be helpful to furnish that for the record.

[The information may be found in the appendix.]

Mr. Price. Also, it would be helpful to know how many people have been reached by these activities and the geographic distribution of those programs.

Turning to procurement, you list a number of activities aimed at increasing woman business participation in procurement. You talk about the effect of Federal prime contract goals, which a number of witnesses have mentioned. What are those goals, and what are the future prospects?

Ms. Crockett. The goals are established individually with each department and agency, depending on what their overall procurement budget is. We look at the past 2 years' performance in establishing goals through visits with the individuals in those departments and agencies who handle that and to aggressively increase whatever is submitted by them. We have been successful in virtually all of our endeavors.

Mr. PRICE. What is the range of those goals, lowest and highest? I see we have a chart that depicts that.

Ms. CROCKETT. Unfortunately, I don't have the same chart. It varies with each department and agency.

Mr. PRICE. What about the workshops to acquaint women with Federal business practices, you have no information on how often and what the geographic spread has been.

Ms. CROCKETT. Yes; I will supply that for the record.

[The information may be found in the appendix.]

Chairman LAFALCE. Mr. Price, how many have you had in North Carolina, and why don't you do one tomorrow?

Mr. PRICE. The testimony we have received is that this procurement problem is widespread. Often outreach efforts on the part of agencies and efforts on the part of the Small Business Administration to encourage participation and give accurate information can be very, very important. It would be helpful to the committee, I believe, to have information about how widespread these efforts have been.

Do any of the other witnesses have any experience with exposure to the outreach efforts by the SBA, particularly the efforts to encourage procurement participation? Ms. Hager, I know you were rather skeptical of these efforts or said they were not successful. Do you have any reflections on this?

Ms. HAGER. I think they are successful. I think for what they are set up to do that they are successful. As I said, the women do attend. We think they are well represented. That is really not an issue. I think they are very well attended. Basically, the point I am trying to make is not to criticize the Government programs but to say, I guess, where I disagree is that we should be happy with where it is, with where we are in procurement.

I think we are not. We don't disagree with the Government programs. We think it is terrific, but I think we are going to have to work together to make it better.

Mr. PRICE. You do say the bottom line is that while there are more and more women trained and knowledgeable about contracting, they are still not getting enough contracts. Is the problem that the programs are not adequate or that we are not targeting them sufficiently? What specifically is your critique if you say these programs on the merits are quite good?

Ms. SNYDER. May I add something? I agree with Ms. Hager that what is being done is being done well. Education and counseling are being well done, but expectations should not be unrealistically high. Our firm provides such service on a private basis, and we feel the same frustration, perhaps, the public sector feels, which is that these vehicles can only have a limited result. We leave program participants well-informed, but the hardest part for participants is putting what they have learned into effect. They are useful, but only as a means of awakening interest and providing a degree of education.

The problem at that point is to take what has been learned and implement it. I think it unrealistic and ill-advised to believe that educational programs will be sufficient. I think it is naive, and I think the people attending the programs afterward say, "Fine, but what can you do for us next?" The ultimate test for participants is enacting what they have learned and making money from it.

Mr. PRICE. As far as Government and public policy is concerned, what does that next step look like?

Ms. SNYDER. To be able to do business with and in the Government and to be able to have access to the procurement dollars that are quite substantial.

Mr. PRICE. Are there legal barriers?

Ms. SNYDER. Our business includes substantial activity in Government. Few of the jobs we have done, have been on official projects. We developed them ourselves in anticipation of needed work. We find that such success is primarily a question of acceptance and attitude. Thus far, we have never encountered a situation where someone wished to work with us and then determined that they could not.

Ms. HAGER. I would absolutely second that. It is much more acceptance and attitude. There are certainly plenty of situations where the women are not qualified. There is nothing in it for the OSDB. There is no incentive for them to deal with women. They don't get any points for doing that.

If the subcontracting were done, it would make a tremendous deal of assistance. It is hard to deal with skepticism. I was not being facetious when I said some of the training dollars maybe should go to contracting officers to get them to deal with women, on opening up procurement. It is not just that the women-owned businesses are all small, but they are all sole proprietorships. Their sales receipts are growing three times faster than men's. Five years ago there was a bid through the Commerce Business Daily, going in and investigating a financial situation with a vested financial Government negotiator, and the bottom line, sitting between my lawyer and an accountant, and I knew it was all over when out of the blue he asked me who took care of my children.

Ms. SNYDER. In business, if you are going to succeed, whether you are male or female, you have to pursue the main chance. Especially in small business, and large business as well, you cannot hitch your fortunes to vague possibilities.

You have to estimate where you think you have a 99.9-percent chance of succeeding. Our strategy, and this is simply that of our firm, has been not to sashay around with the thought of possibly obtaining business possibly on the basis of our being a woman-owned company. We targeted areas where we determined we had a very high probability of sales.

Frankly, we aren't interested in filling someone's dossier; specifically, we aren't interested, and this sounds rather harsh, in filling out forms and participating in the bidding process just to provide one of three required proposals to insure that someone's dossier follows regulations when someone comes to check to see if there has been discrimination. Such pursuits are not good, smart business.

Ms. BULOW. Can I comment on that?

Mr. PRICE. Certainly.

Ms. BULOW. I agree with what is being said here to the extent finding where the opportunities are. Procurement, when I started in business, to me was a fairness issue. I felt the women business owners deserved as much opportunity to find out what the Federal

Government was buying and get their swing at that like everybody else, which is why we started doing the few Megamarketplaces. There is direct reach out of these.

We have identified in all the Federal Government what people buy, what they sell. We provide this to the women entrepreneurs. We have tried to open up the Federal procurement process to the best of our ability.

In doing the megas, we have created an awareness in conjunction with NAWBO, Small Business Administration, the Department of Treasury, and every major Federal agency has been a very active participant in these. This wasn't true in 1983 or 1984. The level of activity has increased substantially as we have done these, and they need to be continued.

We are developing an inventory of what Government buys so that Susan Snyder can get a booklet that will tell you exactly, Government-wide, what is being brought where, so she can target her own market.

The unique thing we tried at mega was to schedule appointments.

Chairman LaFalce. Shouldn't that Government booklet be available to all businesses indiscriminately, whether they are male, female, minorities, et cetera?

Ms. Bulow. The Government booklet created on the opportunities?

Chairman LaFalce. No; the booklet that explains the contracts that are available.

Ms. Bulow. Sure, it is.

Chairman LaFalce. All right. Let's go on. I am going to have to leave here in 5 minutes.

John, do you have any questions?

Mr. Hiler. Thank you, Mr. Chairman.

I am going to play a little bit of the devil's advocate here. Just bear with me. Separating our procurement activities, the Federal Government buys enough, does it correctly or incorrectly, separating out that and looking at the great bulk of 3.7 million women-owned businesses, a fraction of which have ever called the SBA to assist them, or the Department of Commerce, or something, a couple of figures that can challenge my mind. Women-owned businesses, I believe, are the fastest-growing segment of small businesses in America. Dollars of sales are growing dramatically.

It would seem to me that the barriers to access and the barriers to success for women in businesses must be falling down at a rapid rate to have that type of rapid development. Why is that statement right or wrong?

Maybe go to the private sector first here, then go to the Government?

Ms. Snyder. Why—the question was why, if given the success of women in small businesses, the rate of their increase and the increased rate of their income, isn't this a sign that barriers are falling to women in business? Is that your question?

Mr. Hiler. Yes.

Ms. Snyder. I would take it from another viewpoint, being the devil's advocate for the other side.

Mr. Hiler. Sure.

Ms. SNYDER. Since the 1960's, when women began to feel that higher education was a normal and expected thing, the number of women qualified to enter the workforce and equipped to compete in corporate activity has, in my opinion, increased substantially. From a simple Darwinistic perspective, there are more of the species trying to enter the business arena. From that standpoint, I don't think the numbers necessarily prove that barriers are falling. I think there are more women knocking at the barriers. I think there are more women qualified, driven, motivated with the desire to try to make it in business, and, thus, there are more women succeeding. Although the numbers may look, I suggest that the proportions are static for all intents and purposes.

You could take a very primitive view that the strongest will make it. The point of my testimony is that we should take a more enlightened view, if only in the national interest, because in this particular stage of our economic history, women-owned businesses have a great deal to offer the United States.

New, dynamic businesses are needed to span the trade gap. If four out of five new businesses are women-owned, it is evident that women are a useful economic source. The creativity these women represent, their expertise, could be extremely valuable. So, why not find a way to encourage the momentum, not subsidize it necessarily, and, at the least, allow it unfettered movement. Such policy is in the national interest.

Ms. HAGER. I agree with you that the barriers are falling with the exception of the two areas of procurement and equal credit opportunity. I think barriers are certainly coming down in those areas, but we have a long way to go in those areas.

Mr. HILER. If you look at the long-term health of women-owned businesses in America, I hope it doesn't depend on the Federal Government's purchases. The Government's purchases are a small fraction of a $4 trillion economy.

Ms. HAGER. It obviously doesn't depend on that.

Mr. HILER. One of the testimonies I heard in the last day or two has suggested that a disproportionate share of women's businesses are in the service-retail area. Defining service is broad, but that is where there is a tremendous amount of growth in our economy. To say that women are going into an area in business broadly defined where there is tremendous growth and don't seem to be going into an area as rapidly where there isn't growth, I don't perceive that as negative, which I gather from testimony yesterday might be negative.

The procurement dollars, even if we had extraordinarily successful procurement practices at the Federal level, that would be but an extraordinarily small dent in those 3.7 million women-owned businesses, wouldn't it? I am playing the devil's advocate.

Ms. HAGER. Women's businesses will not succeed or fail because of procurement, but it is still not acceptable that all of that is going to men.

Mr. HILER. That is accepted.

Ms. SNYDER. The point about access to credit is important because the issue is one that also has national significance and is worthy of being considered separately from the issue of procurement.

Mr. Hiler. It has a lot to do with general difficulties in gaining credit for all small businesses, doesn't it?

Ms. Hager. Some of it does.

Mr. Hiler. There are two kinds of problems. One is general access to credit and equity for—I come from the foundry business. That is the business I grew up in, and 80 percent of the capital that goes in the foundry industry comes from two areas, retained earnings or capital that the owner or manager brings in. Only 20 percent of the capital comes from outside ownership or comes from banks or something. Four-fifths of the dollars come from what the person has been able to earn on their own or what they brought into the ball game to begin with.

I think that is true of most businesses. General access, and coming up with new instruments for increased access to equity, I think these are things that will help all business, including women-owned businesses.

Ms. Hager. I absolutely agree. I think they will help all businesses, including women-owned business.

I think there is an extra barrier for women, women-owned business, when you go to deal with the bank. I am not talking about getting startup funds or things nobody gets. I am talking about realistically, lines of credit, things like that. There is an extra barrier for them.

Chairman LaFalce. I am going to intervene because, unfortunately, I am going to have to be leaving momentarily. I want to make a few points and ask a few questions.

In your attachment to your testimony, Ms. Bulow, you state that there was assigned a women's specialist position at the Office of Small Disadvantaged Business to manage Commerce's women's business program. You say Department of Commerce [DOC] is the only Federal agency with this full-time position. Is that correct? That is in your attachment.

Ms. Bulow. If it is in my attachment, it is correct.

Chairman LaFalce. That is one of the problems. DOC is the only agency with this full-time position. I would praise DOC, but we have to ask if it is good for DOC, why isn't it good for all agencies, too. I am going to have to pursue that. Maybe that is something else that can be brought up in our Interagency Task Force.

I would like to make another point, too. I had heard of Ms. Phillips before I made inquiry as to what has happened to this interagency group, and who is the chairperson of it. Maybe that is a problem too. Maybe the chairperson should be some person of greater visibility to give it and its mission more stature. If you have visibility, you, therefore, might bring with you the requirement for better accountability. Whether it would be Elizabeth Dole or Peggy Heckler, someone of adequate stature to give that mission its proper stature.

Yesterday, I suggested that one of the things we needed was not just a program for women, but programs in the existing trade associations and education programs, and that they be so structured, although the programs would be for all, they might be of special benefit for women. For example, the American Banker's Association program on lending practices might focus more on soft assets as opposed to hard assets in terms of lending credit.

That could be very interesting. I think that is going to be incorporated at their next conference, which will take place in June in Boston, in which I will be participating.

Something else too. On the whole subject of goals, someone once said that happiness is directly proportionate to one's expectations. And, therefore, if we set very low goals, it would be easy to be very happy and have great success, or proclaim great success. Now if we set unrealistic goals—for example, I voted against that provision which eventually became section 1207 that called for 10 percent of all DOD contracts to go to minorities—that would have created automatic, absolute, certain unhappiness. Unbelievably unrealistic.

How do you determine what is the proper goal—one that is attainable if you strive mightily, but not so low that you can achieve it easily and not so high that you are going to become absolutely, impossibly frustrated? I am not sure about methodology that has been used in the goal setting process with this fostering of procurement.

I note there are some agencies whose goals and achievements for 1988 are lower than goals for 1987.

Ms. Crockett, we are going to have to sit down in the future and go over these on an agency-by-agency basis.

Ms. CROCKETT. Our goaling is done prior to the achievements of the previous year coming in, so we really don't have that year's achievements as a basis in negotiating.

Chairman LAFALCE. Sure. Sometimes, by establishing very high goals, even if they are unrealistic, you do bring with you tremendous frustration. But you also push individuals to levels that surprises the world.

For example, didn't we have a legislative requirement for AID with respect to contracts for women? Aren't they now closer to about 4 percent whereas the average is about 1 percent?

So, if we are going to err, perhaps we ought to err on a higher goal, perhaps, than a lower goal. We ought not to take too much solace in the fact we have 1 percent.

My next point is we are addressing ourselves to women business owners. But as I understand it, your organizations are also concerned about women in business as opposed to women business owners. My question is, do you have programs specifically designed to be of assistance or to look at the special problems of women in business as opposed to women business owners?

Ms. CROCKETT. Are you defining women in business as working for women-owned firms?

Chairman LAFALCE. No.

Ms. CROCKETT. Our focus is primarily on women business owners.

Chairman LAFALCE. All right, fine.

The next question is, suppose I am the President, January 1989, and I call you into my office, and I say to you, Kay Bulow, Department of Commerce, everybody says the Commerce reports are the best show in Government. Ms. Hager, founder of NAWBO, and you are a critic, and Susan Snyder, you work for those Fortune 500—you have had experience in the private sector. What have you tried to accomplish that you have been unable to accomplish?

What have you asked for from your superiors that you have not been able to get, and what would you ask for now? What program would you want, so that at the end of my term in December 1992, I could look back and say that we did more for women in business and women business owners than any other administration ever did? How would you answer that?

Ms. CROCKETT. As I mentioned earlier, more long-term training. I think that is the most important aspect of success.

Chairman LAFALCE. I am going to ask Ms. Crockett and Ms. Bulow to flesh out their answers in writing on that question, OK? What you have asked for and haven't gotten, and what you would ask for, if I were President, and if there were no OMB, and you had direct access. Ms. Hager and Ms. Snyder——

Ms. CROCKETT. There is always an OMB.

Chairman LAFALCE. Not in my administration.

Mr. HILER. That will be part of the record of the committee?

Chairman LAFALCE. Absolutely.

[Ms. Bulow's response may be found in the appendix.]

Chairman LAFALCE. To the two Susans, any comments you would like to make now on that?

Ms. HAGER. Sure. I would like to see a committed administration in your administration. I am sure that would take place as it does now. I would like to see more procurement dollars going to women, both in primes and in subcontracts. I would like to see equal credit opportunity across the country.

Ms. SNYDER. Rising to meet the chairman's challenge, I would probably offer total unhappiness by setting very high standards. My interest would be consistent with my testimony to see women so integrated in the procurement process in the United States that the subject would no longer be a special issue any longer.

Chairman LAFALCE. Amen. That is the goal. The goal is not to have any special programs for women. That is the goal, too, with respect to minorities. We ought to remember though, that these are means to an end. They ought not to be permanent, perpetual. We are playing catchup football right now.

The whole idea is not to play catchup football in the future. But we would be pretty stupid, or naive, or permanent devil's advocate if we didn't realize that there is an imperative for catchup football right now.

The committee will adjourn, and I thank you all very much.

[Whereupon, at 11:00 a.m., the committee was adjourned, subject to the call of the Chair.]

NEW ECONOMIC REALITIES: THE ROLE OF WOMEN ENTREPRENEURS

TUESDAY, MAY 17, 1988

House of Representatives,
Committee on Small Business,
Washington, DC.

The committee met, pursuant to notice, at 9:30 a.m., in room 2359-A, Rayburn House Office Building, Hon. John J. LaFalce (chairman of the committee) presiding.

Present: Chairman LaFalce.

Chairman **LaFalce**. The Small Business meeting will come to order.

Today's hearing is the fifth in a series of hearings designed to address issues affecting women-owned businesses. The committee has examined problems relating to Government procurement, access to credit, the effectiveness of public policies and programs, and the accomplishments and contributions to the economy by today's business owners who just happen to be women.

Representative Silvio Conte could not be with us today, but he has submitted a statement. I ask unanimous consent that it be put into the record.

[Mr. Conte's statement may be found in the appendix.]

Chairman **LaFalce**. We have invited witnesses today to discuss the changing nature of the workforce and its implications for women entrepreneurs. We will hear from Bickley Thompson, director and senior editor of American Demographics for an overview of statistics and projections for the future; Jeannette Scollard, president of SCS Communications, entrepreneur, author, lecturer, and financial counselor featured on ABC's Home show; and Beth Wray, president of Business and Professional Women, USA. She is also Dean of Students at North State College in Aberdeen, SD.

But before we hear from our witnesses, I want to acknowledge the continuing interest in these hearings expressed by the National Association of Women Business Owners, NAWBO. We have arranged for a viewing of an 8-minute video entitled, "Against all Odds."

We will view the video tape later because our first witness, Ms. Townsend, has some time constraints. Therefore, I am going to call Ms. Bickley Townsend to the witness table. We will hear from Ms. Townsend, and then we will hear from the other panelists and view the tape.

I hope you will be able to stay with us a little longer.

TESTIMONY OF BICKLEY TOWNSEND, DIRECTOR, RESEARCH AND EDUCATION, AMERICAN DEMOGRAPHICS, INC., ITHACA, NY

Ms. **Townsend**. It is a pleasure to be able to participate in these hearings, even briefly, and especially at the invitation of a fellow upstate New Yorker.

Chairman **LaFalce**. Where are you from?

Ms. **Townsend**. Ithaca. I have been asked to summarize briefly the changes that are occurring in the American workforce which, as we know, are very rapid and very profound, and some of the implications and challenges that those changes mean for employees, for the economy, and for Federal policy in the years ahead.

If I had to sum up the trends we see in one sentence, I would say that America's workforce is becoming steadily older, on the whole better educated, although with a caveat which I will go into in a minute—more racially diverse and, of course, more female.

Let me discuss each of those trends briefly. Ever since the first baby boomer turned 40 in 1986, we have heard probably more than many of us would care to hear about the aging of the American population. Although, I must say American Demographics is partly to blame for the media coverage since we put out the press release on that.

Chairman **LaFalce**. Did you coin the phrase, the graying of America?

Ms. **Townsend**. That is another one. I think we have heard somewhat less about a concomitant trend which is that America's labor force is also aging. The average worker today is 35, and by the year 2000 he or she will be a distinctly middle aging 39.

Now, this is happening partly because of the aging of the baby boom. But there is another important reason, and that is the baby bust, that very small generation born in the late 1960's and 1970 when families were down-sizing from an average of four to about two children. Those young people are reaching adulthood now and coming on line as workers.

Our 18- to 24-year-old population is going to decline by one-fifth between 1960 and 1995. I would like to emphasize one reason why America's workforce is not aging. It is not aging because older workers are remaining on the job for more years. In fact, just the opposite is occurring because older workers are, in fact, taking early retirement in record numbers.

One third of men, aged 55 to 64 are no longer in the labor force at all as participating members. That is double the proportion of men that age who were working just a decade ago. This rising age of the workforce is a two-edged sword. It has positive aspects to it.

The prospects of a somewhat older, more experienced labor force could herald a big productivity bonus for the economy, one that could give our economy a boost that we could really use in the next few years.

But on the minus side, an aging population also means a slower growing workforce. Between now and the year 2000, our labor force is going to grow at the slowest rate in history, except during the Great Depression.

Now, of course, there will be a lot of regional variation in that decline, but overall, what it means is a period of tighter labor and a threat of wage inflation as scarce entry level workers are able to bid up their price. This shrinking labor pool is going to be a particularly critical problem for retailers, food marketers, and other businesses that rely on entry level workers.

Larger employers are already easing the crunch by substituting technology for labor. For example, you have seen those beverage bars in McDonald's where you have to pour the cokes yourselves instead of having a counter worker do it. Small businesses can't take advantage of high-technology solutions as these as easily as can large corporations.

This is an issue your committee might want to take up. Other issues for Federal policy include retraining of older workers and incentives to attract retirees back into the labor market, if only for part-time or temporary jobs.

Turning to education, the overall trend is that America is becoming a steadily better educated society, and part of the reason for that is again the baby boom. Half of all baby boomers have gone to college for at least 1 year and one-quarter have a college degree. The baby boomers, of course, are also the generation that closed the educational gender gap. Women have made tremendous strides in education in recent years and they show up most strongly among those younger baby boom women, the ones now 25 to 34, who just about have the same levels of education as their male counterparts.

Now, this is happening for two reasons: Not only are more women going to college than at any time in our history, but also, for the first time in recent memory, fewer young men are completing college. The trend toward a more educated workforce is a good sign because most of the fastest growing occupations that we see between now and the year 2000 now will require at least some college.

In fact, there is a new study by the Hudson Institute called Workforce 2000, which concludes that by between now and the year 2000 for the first time in history, a majority of all new jobs will require post secondary education.

But I mentioned earlier that there is a caveat to this better educated picture. Statistical averages mass the fact that too many young people are failing or being failed by our educational system. We have a persistently high rate of school dropouts, particularly among children from low income and minority families. These are children who already have the fewest advantages in life.

We need to do everything we can to help convince young people to stay in school and ideally to go on to college. Besides increasing the number of years of schooling our young people receive, we also need to improve the quality of that education. We know that the jobs of the future are going to require much greater literacy and much better quantitative skills than many of our children are now receiving.

Educational reform has begun, but we have a long way to go to rebuild the educational standards and basic skills that fell by the wayside in the 1960's and 1970's. The National Commission on Excellence in Education found, among other things, that 40 percent of recent high school graduates were unable to read at the ninth grade level.

Productivity losses caused by poorly educated workers are costing American businesses an estimated $25 billion each year. That is a cost that the small business owners can ill-afford to pay and money that could be invested in greater productivity and economic growth.

Sam Ehrenhalt, the New York regional commissioner of Labor Statistics, summed up the policy implications of this trend recently. He said, "Ultimately the quality of the labor force may become the limiting factor on the New York City economy. That is why, in my opinion, improving educational outcomes now ranks as the city's number one economic development effort." I believe that conclusion holds true not just for New York City, but for the country as a whole.

Let me turn to the third trend, and that is our workforce is becoming far more racially and ethnically diverse. Workforce 2000 made a number of interesting projections, but one in particular stood out. For the rest of the century, this study concluded, native born white men will make up only 15 percent of new workers.

For an economy for which traditionally white males have been the backbone, this trend signals a whole new world ahead. One in five Americans today is black, Hispanic, Asian, or another minority. The impact of this diversity will be certainly felt in the workforce, more dramatically in some geographic regions than others. It is only a matter of a year or two before New York City has a majority minority labor force.

A number of other cities are also at or approaching the point at which it is no longer appropriate or even accurate to refer to non-Caucasian ethnic groups as minorities. Some of these cities include Los Angeles, Detroit, Chicago, Philadelphia, Miami, a lot of cities in Texas, and, of course, here in Washington, DC.

The growing racial and ethnic diversity of our workforce will put greater demands on employers. There will be more training needs, more language problems, greater responsibility for employers to avoid violating provisions of the immigration reform laws. But it is also a two-edged sword. Many new immigrants have already proven that they are at least as hard-working and enterprising as their predecessors from earlier generations.

So, we can expect that the growth of immigrant minorities in the workforce will have a positive effect on the economy. The increase of black and other native born minority workers will mean continued issues of an affirmative action and equal access to employment. Where these minorities are concentrated in disadvantaged areas, it is going to take special efforts in education, vocational training, and economic opportunity to bring more and more minority workers into the mainstream of the economy.

I have reserved for last, the trend that is of greatest interest to these hearings and very probably the single most important trend that has ever taken place in the American labor market. That is the enormous influx of women into the paid labor force in recent years.

Already, women account for nearly two-thirds of all new workers, and they are 45 percent of the workforce, up from 39 percent just 15 years ago. More than 7 out of 10 women in their prime working ages, age 25 to 54 are in the labor force and that is going to rise to more than 8 out of 10 by the year 2000.

Women's work patterns across the life cycle have also changed dramatically. Women, until the mid 1970's, used to drop out of the labor force in their child-bearing years so that fewer women worked in their 20's and 30's than at other ages. But this pattern has completely changed. Today, more women work in their child-bearing years than at any other ages.

When you chart labor force participation by age, women's patterns look very similar to men's now. Women's occupational choices are also becoming more similar to men's. Consider the inroads women have made into many once male preserves. Women today are 20 percent of all medical doctors, double their proportion in 1972; 20 percent of all lawyers, compared to 4 percent in 1972; and 7 percent of all engineers which may not seem like a lot, except that they were fewer than 1 percent of all engineers in 1972.

Meanwhile, men represent a growing share of telephone operators, nurses, and typists. So, male and female work patterns are becoming more unisex, and combining work and family has become the norm for most women, as well as most men today.

The majority of mothers are now in the paid labor force, including more than half of all new mothers who are back at work before their baby's first birthday. So, it is no wonder that family issues related to employment, such as parental leave, child care, and flextime have moved front and center on the policy agenda. Even so staunch a traditionalist as Senator Hatch is sponsoring child care legislation, and he defended his bill by saying no matter how much some people might want to go backward, America is not returning to an Ozzie and Harriet world.

America was founded on innovation, and our system of government was even called the American experiment. Today, I would like to suggest that we are embarked on a social and economic experiment almost as fundamental as that undertaken by the first settlers to our shores. The premise of this experiment is that men and women can coexist as truly equal partners in the family, and in the factory, in the boardroom as well as in the bedroom.

There is no precedent for the new work and family forms we are forging. Yet, today, as then, a great deal rests on the outcome of this experiment. The well-being of our Nation's children, the value of women's investment in human capital, even America's competitiveness could depend on whether this experiment works.

I urge you to do all you can to ensure its success. Thank you.

[Ms. Townsend's statement may be found in the appendix.]

Chairman LaFalce. Thank you very much, Ms. Townsend.

There were so many insights that I wish to pursue. For the most part you picked 1972 as a base year. Any particular reason for that?

Ms. Townsend. I think there happened to be good data for that year. The economic censuses are taken in years ending in 2 and 7.

Chairman LaFalce. Fine. The two concurrent phenomenon that I am interested in analyzing a little more—women are increasing as a percentage of the workforce at a much greater rate than projected now, double the rate, although it will not be as great as it was from 1972 to the present. There is also data in here regarding the, if not illiteracy of the workforce, educational inferiority of the workforce.

Forty percent of high school graduates aren't able to read at a ninth grade level. I think you have other statistics regarding the poor educational quality, despite the fact that the proportion of adults who are high school graduates has risen, despite the fact that these jobs will require higher educational attainments.

I wonder if this breaks down, however, along male/female lines. I only know from my own experience, and I look back to grammar school days, and we had a reunion not too long ago. I looked at the literates and illiterates. The females were the literates and the males were the illiterates. It was true then—that was a long time ago—with a few exceptions.

Do we have any data on that?

Ms. TOWNSEND. Well, there are a couple of responses to that. I think girls often do get better grades in school than boys because they tend to follow rules more.

Chairman LAFALCE. Superiority of the species, I understand.

Ms. TOWNSEND. Boys have higher high school dropout rates, but girls also have high dropout rates for different reasons. The number one reason girls drop out is pregnancy and four out of five girls who become pregnant in high school drop out.

That suggests a whole intervention strategy there for females that obviously does not apply to males in the same way. The opposite trend is that boys do tend to score higher on quantitative tests and do better in math and science, at least on standardized tests.

Traditionally, girls were not encouraged as much as boys to pursue science and math. Clearly, when you look at the jobs of the future, we need to encourage both sexes to do better in both quantitative and verbal skills.

Chairman LAFALCE. Do you know if there is any breakdown about education attainments, based upon gender?

Ms. TOWNSEND. On performance?

Chairman LAFALCE. Yes.

Ms. TOWNSEND. Yes; the Center for Education statistics has that.

Chairman LAFALCE. They have all of that.

I am not going to ask anymore questions right now, because I am advised that you had to leave at 10 o'clock.

Ms. TOWNSEND. If you have any additional questions, I would be happy to submit answers. Thank you.

Chairman LAFALCE. Thank you very much.

Counsel advises me that it would be appropriate now to view the tape prepared by NAWBO. Whoever is responsible for that, why don't you put it on.

[Whereupon, a video tape entitled "Against All Odds" was shown.]

Chairman LAFALCE. Thank you very much. My congratulations to NAWBO for that very fine production. As the credits were being given, I noticed two things. It was obviously produced and made exclusively by women.

Also, I see that Amy DeLouise, the daughter of our staff assistant, Dick DeLouise, had a hand in the writing and producing of it, a major hand. Let us return to the traditional format of the hearing and call our next two witnesses to the table now.

I would ask both Ms. Jeannette Scollard and Miss Beth Wray if they would come to the witness stand at the same time.

Jeannette, good seeing you again. Our first witness will be Ms. Jeannette Scollard, who is known for many things, as I mentioned in my introductory remarks. Since December, most notably, for being a principal speaker at a forum I had in my congressional district on women in business.

I thank her for that. Jeannette.

TESTIMONY OF JEANNETTE REDDISH SCOLLARD, PRESIDENT, SCS COMMUNICATIONS, NEW YORK, NY

Ms. SCOLLARD. Mr. Chairman, I am going to talk to you about some of the changes in the American business place. There are some fairly dramatic changes and women are a very important part of these transitions, which are all more apparent to me because of several jobs I hold as a very avid entrepreneur with about eight companies, as author researching my third book on women entrepreneurs for Macmillan Publishing, and as resident financial expert for ABC television's Home show.

My work certainly keeps me in touch with the heartland of America. I would like to spotlight three major trends in the American workforce. They represent substantial changes, and women are a pivotal factor in all three of them. I will briefly call these developments to your attention, and point out some of the challenges they present, and suggest some of the ways in which Congress can provide important assistance.

The first and most important trend is the brain drain of women from the traditional male-dominated corporate arena. What you find is the cream of women executives are leaving the larger corporate structures and opting to start businesses of their own. There are two reasons for this brain drain.

One is, the higher up a woman moves in the business hierarchy, the more sex discrimination she is likely to encounter. I know. I have been there. In the late 1970's, I was the first and only woman officer in the history of a 100-year-old blue chip multinational.

I learned first-hand what it is like to reach the crystal ceiling, and the male establishment denies it exists, but it is the point at which a woman will not be promoted no matter how she performs. I don't see any improvement today in this tacit discrimination, but we refuse to be so easily dead-ended in our careers.

Women realize that not one single woman is among the power brokers in the financial community, and there still is no ladies' room at the New York Stock Exchange. Women realize that they must move into another milieu away from the older boy network which so successfully has excluded them. They have figured out that if they want to be president, they are going to have to own the business themselves, hence, the exodus from corporate life in entrepreneurship.

Not only can women make as much money on their own, they can be in control of their lives. This brings me to the second factor that makes entrepreneurship attractive to women. We carry the lion's share of the responsibility for our husbands and children, but the corporate structure was designed for men who had wives.

Well, women don't have wives. We are the wives. The only way that a woman can have it all, as men do, is to take charge of her destiny. If she is the boss, she gets to write the rules, new rules. She can design her schedule around her family's need. She can delegate to her assistants when Johnny is sick, instead of calling and apologizing to her boss.

When she likes, she can take the office to the nursery or the nursery to the office. She can do this without losing one iota of professionalism. We are seeing this extremely capable segment of our workforce abandoning the corporate halls and creating a most exciting and vibrant part of our economy, new businesses that create new jobs for our workforce.

I think we are only at the beginning of what is becoming a groundswell. You would be surprised how many women executives still in corporations are harboring dreams of escape. When I am interviewing for my books, women say, "Jeannette, I am not going to be here when you do your next book. I am going to be out on my own." They keep their jobs for the short term as they secretly build a framework for their long-term future enterprises.

They plan to escape the confinements of being second class citizens in a man's world and create brave new worlds of their own.

We should focus on two important ramifications of this change in the marketplace. One, the exodus of senior women is depriving traditional American business of a power source of fresh insight and ideas.

Much of corporate America is in dire straights right now and can ill-afford so crippling a brain drain. I would suggest that Congress vigorously encourage corporate America to promote its talented, capable women. As it stands, now, the outlook for women in the 1990's in corporate America is far bleaker than it was in the 1970's.

To be blunt, many corporations have already hired their token woman, who may have left in frustration, and now the corporation feels under no pressure to replace her. The attitude is, "We had one, and she didn't work out, so you can't say we didn't try."

There is another interesting ramification of the exit of women from male-dominated corporate America, and this is more profound. Women's ideas are lost and so is the impact of their management style. Women's management style tends to be more appropriate to social realities and economic contingencies of today. It is more open, subject to give and take, and responsive to the attitudes and insight of their subordinates.

Moreover, women managers tend to inspire more loyalty and have earned a reputation among their male superiors for being far more loyal than counterparts. Transfer this management style to the unique advantages of entrepreneurship, and you have an interesting combination here.

As you know, one of the key strengths of privately held business is that it has the privilege of thinking long term. Such a business is not at the mercy of investors who think short term and are preoccupied solely with the price of their stock and dividends which must be paid next quarter. Since an entrepreneur must answer to no outside interest, she can plan for the long term. Therein lies much of her business' future strength and the future of success.

To summarize, we have a new management style that inspires job satisfaction and a setting where a long-term view is possible. Thus, women entrepreneurs can provide a fresh new environment which might compare favorably with the much touted Japanese style.

We are much more in keeping with the trends than is the more rigid and increasingly outmoded approach of our traditional, but beleaguered American business.

What is the major challenge facing these women? Money. Women entrepreneurs typically have more difficulty than their male counterparts in raising capital.

Banks routinely discriminate against women. American bankers simply have not kept up with the changing nature of the workforce, and very few of them recognize what an important market is emerging in women-owned businesses, and very few women have the ease and success that we saw in the video tape of Ms. Rabit.

Most of them don't know their banker, and haven't seen them socially, and are unlikely to get that support. We really need help, and Congress can provide it. You in Congress must help us open the eyes of the banking community to the major economic trend of the 1990's. You must encourage them to give women a break. You can mandate incentives to encourage banks to stop discriminating against women-owned businesses.

The second trend I would like to call your attention to is as a result of the take-over mania that currently possesses corporate America, which I see continuing for at least the next 5 years. We are seeing an extraordinary consolidation of major companies as they take turns swallowing each other up.

The mergers have a direct result on the workforce because they eliminate jobs. Combined companies have redundant jobs. How many accounting and personnel departments does a single business need? Mergers result in massive out placement of middle management. Middle level management is fired or forced into early retirement.

Corporate America may not have many jobs for out-placed 50-year old managers, but entrepreneurial America sure does. These experienced managers are a great potential source of assistance for the traditional undermanaged entrepreneurial structures.

The challenge here is twofold. First of all, the out-placed managers need to be educated about the opportunities in the world they know little about—small business. They need to be trained in the lean cost efficient management style indigenous to small business. Then the banks have to take women business owners seriously and fund them as they create new jobs for an idle reserve.

Once again, Congress can be of great assistance in providing a solution. We need educational and job placement programs to facilitate the recycling of these seasoned managers to help the usually understaffed entrepreneur, and we need incentives with regard to banks for funding payrolls, expanded to include otherwise unproductive members for a displaced management community.

The final trend I would like to bring to your attention is the entry of housewives to the workforce and the return of women who took time out of the formal workplace to raise children. Traditionally, these women would have worked at lower levels in corporate

America, and they would have been asked how fast can you type, and can you operate the Xerox machine.

But as entrepreneurism increases, they are instead starting their own business, frequently selling the skills they learned in the home. They sell their housewifery skills. One of my favorite companies is a company called, "Rent a Yenta" in New York, and it is housewives that do what housewives do. They will pick up your grandmother at the airport, throw a party, clean your house, whatever you need that is legal or honest, and they have a good business.

Businesses like this are springing up all over the country. Housewives selling housewife skills to women like me who don't have time to do it for ourselves. Also, cooking skills are sold, and we have seen many women-owned businesses start in the kitchen.

Usually these businesses are started with very little money, under $500. Most of these businesses operate from the home.

Once again, these women business owners need assistance. They need to learn more about business and business-like procedures, about marketing, and about recordkeeping. They need access to small amounts of capital.

What can Congress do?

Encourage the banks again. Persuade them to set up departments specifically oriented to investing in tiny emerging businesses. I can't think of a better investment. Moreover, we need more basic business classes to help these women, and the tax laws should be redesigned to encourage a small business person operating from her home. There is no reason why she should be penalized because it is more efficient and cost effective to keep the business at home.

Finally, simplify the paperwork necessary for small businesses that employ only two or three people. Encourage the small businesses, because many of the greatest success stories in American business began in the home. As a matter of fact, Henry Ford began at home. He started tinkering in his backyard.

In short, these trends, the brain drain of female executives out of corporate America, the out placement of mostly male middle managers in corporate America, and entry of housewives and full-time mothers into entrepreneurial America are all challenges which can be met with basically the same solutions, increased knowledge and access to capital. You in Congress have the power of authorizing various agencies to fill these educational needs I have brought to your attention and of persuading the banks to give women an equal chance.

You can legislate tax incentives to help small business grow into bigger ones. As reported to you earlier, by 1990, half of the new business startups in this country will have been initiated by women. What we need now is to form, conscientiously, an environment where these enterprises can flourish, creating new jobs and contributing long-term American benefits to the American economy.

Thank you for the opportunity to bring these issues to your attention.

[Ms. Scollard's statement may be found in the appendix.]

Chairman LaFalce. Thank you very much.

Next we have Ms. Beth Wray, President of Business and Professional Women U.S.A.

TESTIMONY OF BETH WRAY, PRESIDENT, NATIONAL FEDERATION OF BUSINESS AND PROFESSIONAL WOMEN'S CLUBS, INC. [BPW/USA]

Ms. WRAY. I am the president of the National Federation of Business and Professional Women's Clubs, Inc. I want to thank you for giving Business and Professional Women U.S.A. this opportunity to present testimony to the committee on issues certainly of great importance to BPW, women's business issues.

I would like to summarize my remarks and then submit our full testimony for the record.

Chairman LAFALCE. Without objection, so ordered.

Ms. WRAY. I would also like to commend you, Mr. Chairman, for once again demonstrating your commitment to a very proactive approach to the needs of America's small businesses. Hearings such as these really provide all of us, whether it be Government, private sector, or education in the nonprofit community, with food for thought and certainly recommendations for action. I thank you for that opportunity.

BPW is the oldest, as well as the largest, organization in America dedicated to the needs of working women. We are 125,000 women and men from across America, business people and entrepreneurs who are in business.

Our role is actually twofold: Promoting women's roles in the workplace and helping business to adapt to the social and economic climate created by women's changing role. One-third of our members in BPW are employed in or are owners of small businesses, and many others serve these small businesses either as bankers, computer specialists, accountants, telecommunications experts—positions of that nature.

As business women, we deal daily with the impact of the changing labor force and the changing economy on the bottom line. As women, we know our personal reactions to these changes and what we need from our employers and our Government, as well.

As citizen lobbyists, we have a unique, broader perspective bolstered by research. We believe that the systematic entry of women into the workforce has created a revolution in our economy, our businesses, and our society. Certainly, it is as profound as the changes brought by the industrial revolution.

You have heard throughout these hearings so eloquently today from my colleague from American Demographics about the increasing number of women in the workforce. These numbers have had dramatic effects on businesses in two ways: The changing needs of their changing workforce and a very different business climate in which to operate.

The American labor force is being transformed by the incorporation of women into the labor force and the percentage of workers who have parental roles without someone at home to assume full-time family and household responsibilities. Because of this, the needs of families are going to play an increasingly larger role in recruitment efforts, benefit plans, and productivity increases.

Employees, and particularly women, can't leave their problems at home, as their employers might prefer, because, increasingly there is no one left in the home to take care of family and household needs. The productivity of the American labor force will depend on business policies that allow for balancing work and family responsibilities of the mother and the fathers who increasingly share at least some of the family responsibilities.

Demographic shifts as large as these also create new demands on the economy. Just as the baby boom led to an increase in public schools, health care services, and the growth of child-related industries from Gerber, to Mattel, to Walt Disney, the incorporation of women into the labor force has created dramatic changes in the climate in which business must operate.

One of the most dramatic consequences of the changing workforce is the growth in business and services once provided by homemakers, such as child care. The incorporation of women into the labor force has also made people time-poor and willing to purchase services and products that compensate for lack of time. Cleaning services, microwave ovens, VCR's and take-out and home-delivered food services have all exploded in response.

The rhythm of life also means people no longer shop during working hours. About 70 percent of households have no adult at home to shop, go to the bank, pick up the dry cleaning. Stores have changed their hours, and there has been a dramatic growth in personal shopping consultants and shopping through mail order catalogs. These combined forces have created a climate for American business in which they must adapt or die.

For example, if we can take a moment to look at the American tradition, the Fuller Brush Co., both their products and their mode of delivery had to change. Women and men now use Vanish drop-ins and Scrub Free instead of specialized brushes and elbow grease to clean their homes. The American woman isn't at home to answer the door when the Fuller Brush man arrives.

Fuller adapted. It now specializes in beauty care brushes and sells them by mail with a telephone order system personed by female customer sales representatives.

Small businesses have always been the first to adapt to changing demographic and economic shifts. In this major shift, they are not different. We know anecdotally that small businesses have made some of the fastest adaptations to the family needs of employees. Our small business women report starting onsite daycare centers, implementing parental leave policies, and doing flextime arrangements to keep valued employees.

The increasing presence of women as business owners is a major change. The women now own an estimated 25 percent of the Nation's small businesses, and we are the fastest growing segment of the small business world.

In 1982, despite significant barriers, women-owned firms generated receipts of $98.3 billion and paid over $37 billion in Federal taxes.

The policy innovations demanded by changes we have outlined are as broad and as far reaching as the changes themselves. Not all the changes are governmental. Many can, must, and are being made by the private sector itself.

Economic theory indicates that the business sector will adapt to demographic change given enough time.

We applaud those businesses who are at the cutting edge of that change, such as Hallmark, Payless, Cashways, and others cited in the May issue of Savvy Magazine as best U.S. companies for women.

I would also like to submit the article from that issue of the magazine citing these best U.S. companies for women.

[The article may be found in the appendix.]

Ms. Wray. Sometimes, American society does not have that much time, and it is under those circumstances that Government needs to intervene, either through provision of information to make change possible, funding assistance to alleviate the economic cost of the change, or sometimes direct intervention to set a standard below which American society will not fall.

The changes we have described create three specific areas these hearings should address:

The adaptation of businesses to the family needs of their workers; the adaptation of businesses to the changing economic climate created by the massive demographic changes taking place; and the specific needs of the increasing numbers of businesses.

In the area of family policies, some corporations such as those we have already cited have been pace setters.

Small businesses are also experimenting with creative ways of providing such services.

These private sector initiatives are to be applauded, and we believe more will occur as time goes on.

However, the very posit of efforts by businesses points up a specific need for data and assistance by the Government.

In our continuing research, we have discovered there is almost no research available outside individual large corporations on family policies.

Most of the information available on which policies work, which are cost effective, boost productivity, and increase retention and recruitment is anecdotal and specific to the corporation doing the study.

It is in America's business self-interest to have these answers, and it is especially in the interest of America's small businesses.

These are the first to have to adapt and the last to be able to afford the research that would help them do just that.

Therefore, we propose a study be undertaken under the auspices of this committee to determine what America's small businesses are doing to provide for the family needs of their workers, to document policies which are working, to set up demonstration projects to test various responses to the needs of employees, and provide quantitative documentation of effectiveness and cost benefit to the employer, and to establish the number of workers actually covered by such enlightened employees.

Because there are cases where specific results are needed, BPW continues to support legislative priorities such as the Family and Medical Leave Act and pay equity legislation, and we certainly hope that members of this committee will join us in these various efforts.

In the area of the changing economic climate and the resulting business climate, we believe data is even more needed.

The pace of change in our society is not abating. It is now normal and will continue, but we do not yet understand the full impact of the changing workforce and the changing family on our economy.

Today, our small businesses, from which our future large businesses will grow, are trying to make their way in the most dramatically changed economy since the industrial revolution. They are trying to make their way without a road map.

Imagine how much more productive they would be, how many more new small businesses would survive, and how many more jobs would be created if they could have access to the sort of planning projections currently available only to farsighted corporations.

We call, therefore, for a second study to detail the changes in the workforce and the economy which will be caused by the changes in the workforce, with special attention to the adaptations which small businesses must make.

This study should protect workforce changes to the year 2010, dissect and describe specific economic needs of markets produced by those changes, and issue recommendations for small business adaption.

These studies will give small business the edge they need to make it in our dramatically changing economy.

Finally, we believe there are policy efforts needed by America's most dramatic economic force, women business owners.

We do make progress against all odds, to quote Julian Roe, the president of NAWBO, and we believe timely information must be geared on women business owners and accurate information made available to women business owners about Government programs, and procurement, and contract procedures.

NAWBO has an interesting idea with its women business owner Federal initiative, and we will be discussing this with them at length.

Our legislative priority is passage of a law to ensure women equal access to commercial credit. This right has been guaranteed for personnel credit since 1974, and it is a disgrace that we do not have the same, as business women.

We commend you, Chairman LaFalce, for your efforts in this area and are eager to work with you to pass the needed bill.

The changes facing business, especially small businesses, are profound.

Business, Government, and society can respond with hand wringing, denial, and stopgap measures designed only to meet needs so pressing they cannot be denied, or we can meet the future with foresight, a sense of challenge, and see these changes as the opportunities for progress in economic gain which they are.

We believe the businesses which will survive are those who hit the latter route, and we are working within the system to forge that route.

We ask your help to provide the data, the legislation, and the support needed.

Thank you very much.

[Ms. Wray's statement, with attachment, may be found in the appendix.]

Chairman LaFalce. Thank you very much, Ms. Wray.

I want to thank both of you for your excellent testimony. We are going to have one more day of hearings on the subject of women in business, and women business owners in particular. Then we are going to wrap it up and draft a report and legislative recommendations, which may include the necessity for additional studies and reports, as some of you pointed out.

But you have been very, very helpful.

I found your testimony informative, interesting, and insightful and look forward to working with all of you as individuals and certainly look forward to working with you as president of the National Federation of Business and Professional Women.

Ms. Wray. We would welcome that opportunity.

Chairman LaFalce. Surely, as I have been working with NAWBO.

I want to thank you very much.

The committee will adjourn until Thursday morning.

[Whereupon, at 10:40 a.m., the committee adjourned, subject to the call of the Chair.]

NEW ECONOMIC REALITIES: THE ROLE OF WOMEN ENTREPRENEURS

THURSDAY, MAY 19, 1988

House of Representatives,
Committee on Small Business,
Washington, DC.

The committee met, pursuant to notice, at 9:40 a.m., in Room 2359-A, Rayburn House Office Building, Hon. John J. LaFalce (chairman of the committee) presiding.

Present: Chairman LaFalce; Representatives Hayes and Campbell.

Chairman LaFalce. The Small Business Committee will come to order.

Today is the sixth, possibly the last, not definitely, of our present series of hearings on women's business issues. Women are succeeding in business, but to borrow a phrase from the video presented at our hearing 2 days ago, they have succeeded against all odds.

In these hearings we have explored the impressive contributions women can make in a wide variety of trades, once they overcome skepticism and prejudice. As myth busters, women have become manufacturers, steel producers, architects, and engineers, owners and operators of successful businesses in virtually every industry classification.

We have also examined matters relating to Government procurement for the reason that women have virtually been shut out from contracting opportunities, receiving less than 1 percent of the Federal procurement dollar.

Other issues brought before the committee include access to credit, the changing nature of the workforce, and the effectiveness, or lack thereof, of public policies and programs designed to encourage and enhance women's business ownership.

Our economy needs the talent resident within the female half of our population, but in order to release those reserves it will be necessary first, to compensate for the cultural and educational handicaps suffered by women over the years.

These hearings have indicated that there is a broad perception amongst women that they lack equality of opportunity, and rightly so. Socially acceptable roles of the past have provided little encouragement or training for the management or leadership roles women must assume as heads of their own firms.

Today, we will look to the future. We want to document what is needed to overcome the feminine handicap, prepare women to meet the challenge, and maximize their economic potential, and therefore, most importantly, the economic potential of America.

We have a prestigious panel of witnesses this morning. We will hear from Ms. Beatrice Fitzpatrick, president and chief executive officer of American Women's Economic Development Corporation [AWED], perhaps the most successful management and training program ever devised for women business owners.

Mr. Martin Mayer, the husband of Karin Lissakers [laughter] and the token male at our six hearings thus far on women in business. Incidentally, in his own right he has also been a journalist and author of best selling books on the American economy such as: "The Brokers," "The Schools," "The Lawyers," "The Builders," "Madison Avenue USA," and others.

I believe yesterday he came out with a new book entitled, "Markets."

Mr. MAYER. Thank you.

Chairman LAFALCE. I expect a free copy for that.

We also have Ms. Esther Shapiro, best known, perhaps, as the creator-owner and coproducer of Dynasty, winner of the Golden Globe and People's Choice awards.

Ms. Ann Ascher, president of Ann Ascher, Inc., member of the President's Council on Private Sector Initiatives, founder-member of the Los Angeles Music Center, a superb business woman and a strong influence in promoting women as players in today's economy.

We also have with us Ms. Laura Henderson who is president of Prospect Associates, a small business that is growing large, who will be representing, once again, as our final witness, NAWBO.

I want to welcome them to Washington and express my appreciation for their efforts and contributions on behalf of this important issue.

Is there any member of the panel who has a statement to make? I do know we have a statement that Representative Silvio Conte would like to make. He is not here. I ask unanimous consent that it be put in the record. So ordered.

[Mr. Conte's statement may be found in the appendix.]

Chairman LAFALCE. Before we go to our regular witness list and before we hear the testimony, we also have with us today Congresswoman Connie Morella. Connie, I am going to ask if you will come up here for a second, if you would.

First, to make any statement that you would like to whatsoever, and second, although Ms. Laura Henderson will be our last witness today, she is fortunate in having you as her Congresswoman, and you might want to say something.

TESTIMONY OF HON. CONSTANCE A. MORELLA, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MARYLAND

Ms. MORELLA. Mr. Chairman, you read that just the way I gave it to you, thank you. [Laughter.]

It is a pleasure to be here today before your Committee on Small Business, and to know that this is one in a long series of meetings where you have focused on women in small business which is so critically important, and the fact that you have spent the time doing it indicates your true commitment.

Yes, indeed; this is a very prestigious panel representing women entrepreneurs who have done it the hard way and who can share their experiences and their recommendations for the legislative body, for Congress to do something about it.

Of course, I am here not only to applaud them and to applaud you for the hearings and what the results will be, but also because it is a special honor to always introduce a constituent, and it is a particularly special honor when you are introducing a constituent of whom you are so proud and admire in terms of what she represents for the entire community of women business owners.

So, Laura Henderson, although you are last listed, when I introduce you, I know I am talking about what the other members of the panel have also accomplished in their field.

She is president and chief executive officer of Prospect Associates which she founded in 1979. That is in Rockville, MD, Montgomery County. It is one of the fastest growing health communications and biomedical research firms in the United States, and it provides services to the Federal Government, to private industry, and has a very large staff and sales. All of them have contributed to the economic well-being of our area and our country.

In 1988, Prospect was selected by Montgomery County as its Outstanding Small Service Firm of the Year. It also recently won the 1988 Maryland Award for Economic Excellence, the only one that is awarded highest recognition, given by the State for economic development. In addition to that, she has been well known in the business community, has been an especially active spokesperson for the small business community, and has served on numerous committees.

Among her unique accomplishments is to have been appointed as the first woman to serve on the United States Chamber of Commerce Procurement Council, attesting to the success of her company, Prospect Associates. She has recently become a member of the Committee of 200, and this membership, as you know, requires a woman to own and have control over a business with annual sales in excess of $5 million.

I know that she is testifying on behalf of NAWBO, a very active organization of women business owners. I am familiar with many of the people who belong. I just wanted to add as an aside, she has also been involved, as many of the women business owners have, in trying to do something with child care. The Congressional Caucus for Women's Issues actually issued a child care challenge to public and private companies throughout the Nation for innovative child care projects. Montgomery County Maryland's Office of Economic Development nominated Prospect Associates for its innovative child care, and I think this also indicates another one of the obstacles, as you mentioned, against all odds, that they must also confront and try to solve.

So, it is my pleasure to introduce Laura Henderson as she reflects women throughout the Nation. I thank you, Mr. Chairman. You are doing a good job.

Chairman LAFALCE. Connie, would you introduce me all of the time in the future? You do a great job.

I know Connie a number of different ways. First of all, as a Member of Congress. But second, we are both members of the Congressional Caucus for Women's Issues, and you know what we do in that respect. But we are also members of the Italian/American Legislators' Club, and if you do not know what we do there, we have one thing in common. We come from all over the country and have different perspectives, but we love the same food. [Laughter.] We get together about every month or so and eat that same food.

Ms. **Morella**. Not only that, we talk with our hands. [Laughter.]

Chairman **LaFalce**. Connie has many credits that she can point to, but I think she should be most proud of the fact that despite the fact that she is from Maryland, the Italian/American organization in the city of Buffalo, NY, where I come from, this past year honored Connie Morella, by coincidence, as their Woman of the Year and gave her the Queen Isabella Award. [Laughter.]

I would be very remiss if I did not do one other thing. Since Connie is introducing her constituent, I have a constituent in the audience tonight, and I had the pleasure of having dinner with her and her husband last night, Ms. Marilyn Holinbrook who is here watching her first congressional hearing. Marilyn, welcome.

With that, it takes a lot of time for Congress to get to business doesn't it? Let us get to business, and let us have as our leadoff witnesses, the star of this morning's USA Today publication with her picture on the front page of USA Today, both of you. Oh, Esther was on the front page and you were on the inside. Oh well, what are we going to do about that Bea? I'm surprised at you. [Laughter.]

Ms. **Fitzpatrick**. I defer to a better woman.

Chairman **LaFalce**. We're still going to have you lead off, Bea.

Ms. **Fitzpatrick**. Thank you.

Chairman **LaFalce**. I had the pleasure of coming to know Bea, I think it was in 1980 when, at that time, we were working on women's issues and women in business in particular.

Ms. **Fitzpatrick**. Were those the last hearings that were held on that subject?

Chairman **LaFalce**. Until I became chairman of the full Small Business Committee, right. [Laughter.]

Ms. **Fitzpatrick**. Things have changed in the last 8 years.

TESTIMONY OF BEATRICE A. FITZPATRICK, PRESIDENT AND CHIEF EXECUTIVE OFFICER, AMERICAN WOMEN'S ECONOMIC DEVELOPMENT CORPORATION, NEW YORK, NY

Ms. **Fitzpatrick**. My name is Beatrice Fitzpatrick. I'm president of the American Women's Economic Development Corporation, a nonprofit corporation which was founded in 1976 under a grant from the Federal Government, U.S. Department of Commerce Economic Development Administration.

I would like to thank Chairman LaFalce for his very deep and sincere interest in promoting the welfare of women business owners, because he has the vision to understand the importance that women business owners hold for the growth and development of small business in our country, particularly in the coming century.

We also would like to thank the committee for its past support of our organization and for making our existence possible.

All over the world today, nations of every political persuasion, nations as diverse as African countries, Sweden, Russia, China, are urging their citizens to become entrepreneurs. Whatever their political persuasion, they cannot deny the economic benefits of an entrepreneurial economy.

At the same time this is going on all over the world, in the United States there has been a phenomenal growth of women as small business owners. We all know that women started in the last 20 years going into the workplace in increasing numbers, and as they have gone into the workplace, been forced to go in, in order to support their families, they have come to learn or feel that the best way they can solve their socioeconomic problems is to go into their own business. There is nothing unique about this. Waves of immigrants from all over the world have come to this country and come to the same conclusions, and helped enrich this Nation.

Women who are native Americans in the sense of participating in business at the level of their ability are really equivalents to the immigrants who came to these shores. These women are coming from a different culture, a different kind of understanding of life than people who have been in business for a long time would have. They come with great skill, they come with great talent, they come with energy. These are not alienated people. These are not people who feel hopeless. These are people who are full of hope and energy for themselves, their families, their Nation, and the future.

The things they bring with them are incredible talent and the ability to do something particularly well, well enough to make them feel that they can overcome all the obstacles that have existed for women as business owners in our country and succeed. They are driven by necessity. They are driven often by desperation. They are women of all kinds. You have minority women who feel that the only chance they have to work at the level of their ability is to go into their own business. You have women who are displaced homemakers, who stayed home, and raised a family, and suddenly find, after having done that, that they must go to work in order to survive, and they have been out of the workforce so long they cannot get a job anywhere near their level of skill or ability. Therefore, they come to the conclusion that opening their own business is the only way for them to work at the level of their potential, which after all is the American dream, that people get the opportunity to work at the level of their potential.

You have younger women who are single heads of households, and are raising children alone, and who feel, OK, if I have to raise the kids and make a living for them at the same time, I will start a business in my home, keep one eye on the kids, and one eye on the business, and support us in that way.

Then you have women who have reached the top level in their corporations, women of extraordinary achievement in the business world, who are deciding that the only way they're going to get the authority, responsibility, and financial reward which they feel they're entitled to, is to go into their own business. So, from all directions in American life, women are coming to the conclusion that small business ownership is the answer to their problems.

This is an exciting development for our country, because everyone knows that the majority of new jobs are created in small businesses. With large corporations downsizing the way they are and are going to continue to do, the hope for new job creation in this country is with small business.

Now, if the most important new factor in the picture of small business ownership in this country is this emergence of women, this drive and determination of women to realize themselves, to take advantage of the American dream and make it their own, then the country has an obligation in its own behalf to pay attention to what is going on and to see what can we do to support and assist this exciting movement.

It is our experience that the thing women who are going into business want the most is training in the business end of business. Most women come into business knowing the creative end of their business and are highly skilled at it. They have had very little opportunity to learn the business end of their business.

Almost every woman who has come into our training program is terrified of finance. Now that is not genetic. You are not born being afraid of money. Something goes on in this culture that says to women it is not feminine for you to worry about large sums of money. It is not appropriate for you to do this. We have helped 45,000 women in every one of the 50 United States since our founding in 1976, and if most of the women you see are afraid of money, this is something that society does. Women need an opportunity to learn everything about financial planning and control which they have to know to run a small business.

To allow women to go into business ownership with all the potential they have for economic expansion and not teach them the rules of the game of doing business is like sending young people out looking for jobs without having learned how to read and write. To me it's the exact equivalent.

So, if anyone is very serious and concerned about the potential for our economy that women offer, it is incumbent on us to provide the information and knowledge that they need to succeed in business. We are not saying here is some poor decrepit group of people who have no skill, no talent, and give them some kind of a welfare program to make it possible for them to live. We are saying here is extraordinary talent. Here is extraordinary energy. Here is extraordinary potential for our country, not only economically, but socially. Give them the tools they need so they can function at the level of their ability in the same way we say we want this for all people.

Therefore, we ask that the Congress of the United States begin to make money available, and not only money, but support programs. Now, we used to be totally federally funded. We don't get one penny of Federal funds at this time. That's fine. We are doing a good job. We could do 10 times as much as we are doing with a little bit of Federal support.

We urge the Federal Government to make the kind of training that we have developed with the support of the Federal Government, available to women all over this country. The return on investment will be incredible. Women in our program create an average of 2.2 new full time and 2.3 new part time jobs over the number of employees they had before they came into our training program. Their sales increase over 121 percent. Their profitability increases.

What happens to their families and their own self image and the contribution they make to the community is multiplied. Women are undertaking to help other people who would otherwise have to go on welfare or have to get help themselves. So, the investment in helping women be successful in business is one of the best investments this country can make.

We have developed a proposal requesting $4.5 million from the Federal Government and pledged, as a condition of that money, that we will raise an equal amount, $4.5 million from the private sector, and get about $14 million in contributed goods and services from the private sector, in order to establish regional management training and technical assistance centers for women all across this country.

To ask for the establishment of four regional centers for women business owners in a nation of our size is——

Chairman LaFalce. Just a second, Bea.

The bells have just rung indicating that there is an extremely unimportant vote, a motion to approve the Journal. That would delay our operations by usually at least 20 minutes, so I would think the other Members would want to go make the vote. I am making the deliberate judgment that I am going to miss that vote, that this is more important, and we will just continue. You can join us when you will.

If any reporter here wants to criticize me for an absentee voting record, it is a question of priorities.

Ms. Fitzpatrick. The women of this country will thank you.

[A short recess was taken.]

Chairman LaFalce. Please continue.

Ms. Fitzpatrick. We think the establishment of four regional management training centers, one in the Northeast, one in the Midwest, one on the west coast, and one in the South, is the minimum that the Federal Government could do to make this kind of training available nationally. We would, over a 3-year period, serve 67,000 women in a variety of programs, and they in turn would create and maintain a minimum of 22,000 jobs so that the cost to the Federal Government of this program would be $67 per woman, or $217 per job created or maintained, which is by far the cheapest job creation and maintenance program that the Federal Government or any other Government supports.

I think women would amaze you with the results that they can achieve with relatively minor investment, but serious, well thought out investment, in their successful future. We would like to work with you to make possible the harnessing of the private sector and the public sector in a partnership to support this movement of women into business ownership.

We urge Congress to take this very seriously. We ask you to do this, not just as a favor to the women of this country, but as a favor to the people of the United States, and to the growth of our economy, and to the support of the entrepreneurial foundation of our country and its successful future for all its citizens.

Thank you very much.

[Ms. Fitzpatrick's statement may be found in the appendix.]

Chairman **LaFalce**. Thank you very much, Ms. Fitzpatrick.

Our next witness will be Mr. Martin Mayer.

Mr. **Mayer**. I have no statement to distribute to you.

Chairman **LaFalce**. You have never been at a loss for words.

Mr. **Mayer**. You said I was the only man testifying in 6 days. As men will——

Chairman **LaFalce**. Against my will, but at Ms. Fitzpatrick's insistence. Come tutti gli uomini, as your caucus might say. I have a tendency to give personal statements anyway, and this is a personal statement, and therefore, I don't think that important to get absolutely exact on the record. It is by nature background, but in this matter I think background is extremely important.

TESTIMONY OF MARTIN MAYER, JOURNALIST/AUTHOR, NEW YORK, NY

Mr. **Mayer**. My name is Martin Mayer. I write, mostly about business subjects and banking these days. I have had two connections with Government. In this decade, I was a member of President Reagan's National Commission on Housing, and back in the 1960's, for 6 years I was a member of the panel on Educational Research and Development in the Kennedy and Johnson White House.

The connection I have with Mrs. Fitzpatrick goes back to those days when I was chairman of the local school board on the east side of Manhattan, and she was president of the PS-116 Parents Association. It was by some margin the best parents association in the district, indeed, quite possibly in the city. When she became coordinator of the Head Start Program, also in the 1960's, she ran the best Head Start Program in the city.

There are very few people in the world who have really interesting ideas. That is sort of sad. One runs around and one interviews a lot of people, and interesting ideas are not there in great quantity. Of the small cohort of people who have interesting ideas, there are even fewer who have the wit, and the drive, and the moxie to carry them out. Mrs. Fitzpatrick has done this repeatedly in different contexts, with different human, financial, and physical resources, actually within my sight. I've seen her do it.

One of the things that banking and politics have in common, it seems to me, is that in both of them you really have to place your bets essentially on individuals. One of the things that recommends AWED to me is that Bea gives you unusually short odds that the money will be well spent and that results will come out of it.

It is a remarkable experience to go into an AWED gathering. The room absolutely crackles with energy. When you see it, incidentally, in a big ballroom in one of their annual big meetings where you may have a couple of thousand women, the energy is almost too much for the room to contain. There is a vast variety of womankind in the room, all races, all creeds, all colors, all shapes and sizes, all ages, and all ambitions. They are there for a purpose. You have a wide variety of talents present, too. They are concentrated and they are demanding.

It can be said, I think, that when they come to AWED, they know what they need, and they have gotten past the stage, most of them, of knowing only what they want. Therefore, they are much more responsive, and they are much more able to grasp what is offered.

We are dealing in these rooms with people's dreams, but you are dealing with people's dreams in a second stage after they've had to become hard headed about it, because they found that while they may have dreams, dreams don't get you there. You're going to need a wide variety of skills. You're going to need things that you didn't know you needed when you had the dream and when you started to think of yourself as someone in business for oneself.

One of the fights that Mrs. Fitzpatrick's board has had with her—we've had several over the years—was over our insistence once that she start an alumni group and ding dong her graduates for money. If we were going to go out and try to help her raise money from foundations and from corporations, there had to be a demonstration that the people who had been through the program were willing to contribute and were willing to make this statement that what they had gotten from it was worthwhile.

Mrs. Fitzpatrick remembered these women essentially as they were when they arrived in the program. They were people who had a struggle. They were sweating through the rudiments of accounting. They were laboring with the mysteries of merchandising. They were absolutely consumed by their own needs, and they were people who needed a lot of help.

What we said was, well if they've got the help they're over some of that now, and they should be grateful, and they were. Letters went out and checks poured in. The group had done better than Mrs. Fitzpatrick thought. Many of these people, indeed, were not struggling any more. They were successful, they had businesses, it was operating, and they were delighted to help their successors. As she said at breakfast, the one mailing brought in $69,000. It is not that much money, but this was still a relatively immature organization. It still has only a limited number of graduates, and we are not talking about people who can give in the thousands mostly. You are talking about people who sent $100 here and $50 there because they had it, they wanted to make a gesture, they wanted to help the others who were coming along.

She did better, in fact, than the colleges do and the colleges have been working on alumni associations for years. We are still pushing her to work on the alumni. It takes an investment. This has been a bare bones shoe string operation which has not been able to make a major investment in this sort of fund raising. But every time it has called upon alumni, every time it has called upon the people who have been through the program for their assistance, it has had a demonstration of its own success from that call which is very impressive and rather moving.

You mentioned, Mr. Chairman, cultural and economic disadvantages that a number of women have had, and one does indeed feel this. But I would like to say that from a public policy point of view one of the major attractions of AWED it seems to me, is that it does not require credentials. There are fewer and fewer institutions in this society, there are fewer opportunities offered to those who want to come along and try to take them.

When I was in the education business, I was increasingly disturbed, and I am still, though thank God I have got off that fly paper, at what had happened in this country to change the image of education from one of an educational ladder that people could climb, to one of educational barriers that kept you out of things if you didn't have the proper credentials. This has happened in our lifetime. It is bad for the schools, it is bad for the society.

There have been fewer and fewer opportunities for battlefield promotions in this country. You cannot get into corporate training programs without certain pieces of paper. What these pieces of paper require primarily, they also take a certain amount of brains, and skill, and talent, but what they require primarily is what we used to call sitzfleisch, the ability to sit down and take instruction, and be a good boy or girl, and hang around and follow the rules of some educational institution, rules which are made for an average. If you don't fit into that mold and you leave, there is a punishment which you are told all the time that may follow you the rest of your life. AWED does not ask about people's credentials. It offers an educational ladder. It offers an educational ladder that is tailored to something that people want, that they know they want, and that they will work for. It is unthreatening. You don't have an examination at the end. It is unfake. It's not something where you have to accept somebody's assurance that if you do A, B will happen to you, which may or may not be true since really all anybody can do is teach. What somebody learns remains his own business. So, the central fallacy of educational theory is that because you teach it, people learn it. They may or they may not, and they may learn something quite different from what you are teaching.

These people, as I say, know what they need, so they know what they have to learn, and they are very helpful to those who advise them and counsel them. The role of counseling in what AWED does has been enormously important, and the fact that the counselors are themselves practitioners, people who are active in the businesses that these people want to go into. This means you get an efficiency which is quite unusual in an educational enterprise as a function of how people get into these things.

What you learn is validated by your performance, which is the best way to learn. It's the way you learn how to play a musical instrument. It's work. You have a certain number of failures. But if you feel yourself getting better you have this increase in energy. One of the reasons that I think there is this kind of energy in the AWED operation is people sense that if they do what they're working at they get better at it, and that is, after all, what they are there for. There are no artificial criteria. You really can make measurements of your own performance in ways that are unusual in more formal structures.

I believe in education, but it does have awful empire-building tendencies, and it has a tendency toward self-satisfaction, and it has a tendency to measure inputs rather than outputs. One of the nice things about AWED is that it really is, if one may use an awful sort of cliche, output oriented. It is for real.

To some extent Bea lucked into this, because she couldn't afford anything else. She couldn't go out and buy teachers, she couldn't go out and buy educational expertise. She was reliant upon volunteers to come in and help these women, and upon the experience of the volunteer that this was something they very much wanted to do.

You started off by making a virtue of necessity, and it turned out that you were making a virtue of a comparative advantage. The organization is now committed to it, and one of the things it is not asking money for is to pay people to be professional trainers. They have a certain number of people you have to have, obviously, to coordinate programs, but the important work is going to continue to be done by volunteers.

When you talk about private/public sector there is some tendency to think gee, it's money. But it is not money. It is a matter of the will to do something.

Finally, I feel strongly that not only is there the larger scale economic value of having women go into entrepreneurial situations, there is also, in this country, a deep and growing need for neighborhood enterprise, for locally based enterprise. I gave a talk on Monday of this week to the Shopping Center Convention out in Las Vegas—24,000 people registered in that convention. I guess there was a black face or two. There were a handful of women. Basically, the people who are developing and working in shopping centers were my hosts, and they are good guys, and one is not trying to stand in the march of progress, but one of the things shopping centers do is that they make the neighborhood enterprise more difficult. It is a danger to this society.

We need something that feeds in neighborhood enterprise, feeds in neighborhood stores, feeds in neighborhood service operations. One of the advantages that you get from tapping into this community is that women are more tied into this neighborhood, as against the traditional male situation where people leave the home, and go elsewhere, and return at night. This provides an opportunity to participate in the revitalization of many of our urban neighborhoods that are now deeply troubled.

So, it seems to me that there is a public policy issue that does transcend some of the economic things, that we are talking about.

We have seen that in what Bea has done in New York. What you get from it is a modern version of the yeomanry which was so important in the development of the theory of this country's Government.

I think this should be part of your deliberation and consideration when you think of where the Small Business Administration, indeed, the Congress should put money. There are great resources of women who want to be in business, want to have their own shop, and as a freelance writer I have this strong feeling anyway for people who do not wish to be responsible to large organizations and want to go do their own thing.

This organization has been quite a spectacular success in New York and in the outreach that it has done. The question of whether it can be generalized geographically is something that you cannot answer until you try it. I think you have to do it one step at a time.

Bea is asking for four centers. If we could get funding for one or two for the first year, I would, as a member of her board who does not wish to see her drop dead traveling around, be just as happy. But I think you have to get started with it. I think you have to move one step at a time, see how many times you can clone the Mrs. Fitzpatricks of this world, how wide the span of this sort of effort is, how large a cadre of volunteers for this very exciting work you could find in various places in this country. It isn't much money. It would be, to a large degree, supported by the private sector. And yet, as so often happens, without some sort of push from this remote center of the country, it gets to be more difficult to do. I should think it would be worth your efforts to move it along into its next stage.

Thank you.

Chairman LaFalce. Thank you very, very much for your remarks.

I was going to go in order, Ms. Shapiro, Ms. Ascher, and then Ms. Henderson. Ms. Henderson, you have to leave by 11:15, is that correct?

Ms. Henderson. 11:15 or 11:30.

Chairman LaFalce. Then we probably still can go in order.

Our next witness is Esther Shapiro who was on this morning's front page of USA Today. I have in front of me an article, the front page, of New York Magazine not too long ago. Esther Shapiro and her empire. The real star of Dynasty. Ms. Shapiro is surrounded by Linda Evans, John Forsythe, and Joan Collins. They, of course, are relegated to the background. [Laughter.]

We are delighted to have you with us, Ms. Shapiro.

Ms. Shapiro. That article really spoke about the entrepreneurial side of me which is what I thought you might be interested in.

TESTIMONY OF ESTHER SHAPIRO, CREATOR-OWNER/COPRODUCER, AARON SPELLING PRODUCTIONS, LOS ANGELES, CA

Ms. Shapiro. Mr. Chairman and members of the committee, I am both honored and grateful for the opportunity to be here this morning, and to speak to you on the subject of women entrepreneurs and their economic potential.

I am pleased to be able to introduce myself to you as a woman entrepreneur, one of more than 3 million in our country. It is a designation I take pride in.

I am heartened by the fact that every year there are thousands of women newly adopting that title, and I hope that thousands more will have the same chance because of the work of this committee.

I am reminded of how 28 years ago at the beginning of my career, I attended my first general meeting of the Writers Guild of America. I looked around the hall at the membership present, about 2,500 screen and television writers, and it did not escape me that the vast majority were men. Only a handful were women. I was young. I had, I think, even then an entrepreneurial spirit that was a gift from my immigrant parents. Or, perhaps, it was just the damn fool fearlessness of youth. But for whatever reasons, I entered what was truly a man's world without a sense of limitations, and with my husband Richard, I went to work.

I created stories focusing on the besieged: Teenage alcoholics, battered wives, victims of racial hatred. Later as a vice president at ABC, one of the few female vice presidents at a major network at the time, I was the executive in charge of developing such projects as "Women's Room," "Masada," "Friendly Fire," "East of Eden," "Ike," "Inside the Third Reich," and "Winds of War."

I left the network to become cocreator, coexecutive producer, and most important, coowner of Dynasty, one of the most popular dramas in the history of television, seen weekly by an audience of 150 million people worldwide.

During this period I became the senior vice president of Creative and Corporate Affairs for the largest independent production company in Hollywood, with which my company was partnered. This past television season, I served as executive producer on the pilot for Heartbeat, a 1-hour drama about a group of female physicians who run their own clinic. All told, I have been involved in the development of over 500 hours of creative product.

Chairman LaFalce. Do we think that pilot is going to be a regular run?

Ms. Shapiro. It has been on for 6 hours now, and I think we will find out by Friday.

Chairman LaFalce. Great. I haven't seen it. I hope I have the opportunity.

Ms. Shapiro. That show was, incidentally, inspired by my association with Bea Fitzpatrick in which I saw a number of women's clinics springing up across the country, and Sarah Davidson, the noted novelist, had the notion, and together we fought that one and got it on the air.

Chairman LaFalce. As soon as I saw that Dynasty had an audience of 150 million——

Ms. Shapiro. A hundred networks.

Chairman LaFalce. The next time you need a walk on, a Congressman walking on somehow, I just wanted you to know——

Ms. Shapiro. President Ford and Henry Kissinger were very pleased to do it, and they did it.

Chairman LaFalce. As president of the College Dramatic Society. [Laughter.]

Ms. Shapiro. They did it at scale. Very cheap, $325

Chairman LaFalce. I'm very cheap. I'll do it for nothing. [Laughter.]

Ms. Shapiro. Today, there are no longer the numerical disparities evidenced years ago. Many women have begun to play important roles in the entertainment industry. To cite a few, Marcy Carsey is coexecutive producer and coowner of the Cosby Show, which has already earned more than $300 million in syndication sales, the highest in television history. Suzanne DePasse is president of Motown Productions. Sherry Lansing is coexecutive producer of Fatal Attraction, a theatrical film that has grossed more than $150 million to date. Dawn Steel is currently president and head of production for Columbia Pictures.

But such success stories do not reflect the entire picture, I'm afraid. There has still never been a female president of a network television division, and the chances of one emerging are slim. The number of actual owners or chief executive officers in the entertainment business is equally disheartening. Men still decide to a large degree what the American public watches in movie theaters and on television. This is particularly ironic in light of the fact that women comprise 52 to 54 percent of the national population, and that the 18- to 55-year-old female viewership is the demographic most eagerly sought by the networks and advertisers.

I was asked to be the keynote speaker at the annual American Women's Economic Development Conference 2 years ago. Frankly, I didn't know what to expect. I had read with great interest the AWED charter, and I was fascinated with their goals and intentions, but nothing could have prepared me for what I was about to witness, Mr. Chairman.

It is hard for me to relate today the feeling that I got when I looked out into that gathering of nearly 4,000 female entrepreneurs, sensed their dedication to the very best ideals of the American business community, and felt their commitment to being a continuing and growing part of that community.

I had spent much of my professional life in pursuit of that elusive commodity called a hit, and I knew almost instantly that AWED was an organizational blockbuster.

When I was asked to join the board of AWED several months later, despite the geographical distance—I live in California—a husband, two children, and a production company, it was an offer I couldn't refuse.

Here was an organization that paralleled my own beliefs and attempts to help women to become the best professionals they could be. Here was an organization which benefited women from every walk of life, not just those who went to Ivy League schools or were born to wealth, but those who, based on ability alone, had the potential some day to become leaders in a wide variety of fields. Here was an organization that exploded the myths and put the lie to the stereotypical attitudes that say women can't add and subtract, that they're afraid to take risks, that they're not strong enough to compete in business, that tears are a sign of instability, that women need to be taken care of by men or Government.

Women, by virtue of their management of the family, the household budget, the moral values of the home, were already halfway to becoming good business managers. Here was an organization that trained women to market their ideas, their products, their skills, to deal with cost structures, and cash-flows, and the complexities of business life. I had participated in their workshops and found them exhilarating. The staff, headed by Bea Fitzpatrick, was superb. Most impressive of all was AWED's stunning record of success.

While the national rate of small business failures in the first 5 years is a disheartening 4 out of 5, here was an organization that had fewer than 5 failures for 1,000 women trained. Here was an organization with a pilot program that could help women across the country become business people, entrepreneurs, more productive Americans.

Inherent in AWED's hope for the advancement of women is our belief that our success will not be a female success, but rather a human one. We want that success to come not at the expense of men, but rather as a result of a partnership between men and women. It is my hope that the partnership and the values that AWED espouses will be part of a new movement, one for the 1990's and beyond, which will create new possibilities for millions, men and women, who can't see their way to them now.

The writer of Ecclesiastes urged that, "Whatsoever thy hand findeth to do, do with all thy might." As women, we have used our hands to bathe our children, to help our husbands, to soothe the ill, to minister to the wounds of war. What we now ask is for the opportunity to use our hands to help ourselves as well.

What we are asking for from this committee and from our country is not a handout, but a hand up. "Give me a fish," it is said, "and I will eat for a day. Teach me to fish, and I will eat for a lifetime."

We greatly appreciate the initial help AWED has had from Congress, and we have already gone into the private sector and found additional funding, but more help is needed if this program is to be expanded and if women across the country are going to be taught to fish the abundant waters of American business. Women need the continued help of organizations like AWED, and AWED needs the continued and now extended financial support of Congress.

With that help, the story of women's entrepreneurship in the 1990's will be the accounting of a great multiplier effect through which women build on their achievements of the past to create new opportunities for themselves, for other women, for our country, and for the world.

Thank you very much.

[Ms. Shapiro's statement may be found in the appendix.]

Chairman LAFALCE. Thank you, Ms. Shapiro.

Our next witness will be Ann Ascher, president of Ann Ascher Inc., I believe of both Los Angeles, CA, and Washington, DC, and a member of the President's Council on Private Sector Initiatives.

Ms. Ascher.

TESTIMONY OF ANN ASCHER, PRESIDENT, ANN ASCHER, INC., LOS ANGELES, CA

Ms. ASCHER. Thank you and good morning. It is a pleasure to be here today.

American women represent one of our country's most underutilized assets. If their talents, energies, and skills can be properly harnessed, women entrepreneurs could form businesses, employ people, and add to the capital base and tax revenues of our Nation.

Already, we see this phenomenon occurring. Women owners represent a large number of the new businesses being created today. However, many are doomed to failure. They bring creative ideas, energy, and enthusiasm to their business formation, but many totally lack comprehensive business skills. They are thus unable to compete in today's sophisticated and fast paced business climate.

If women choose to become entrepreneurs, they must compete in the world as it is, and not in the world as they would like it to be. Thus, I urge the Committee on Small Business of the Congress of the United States House of Representatives to provide funding to form public/private partnerships with the goal of providing nationwide high quality, comprehensive, long-term management training and technical assistance to women entrepreneurs.

Without such structured programs, just throwing money at the problem of women business owners is a waste. In the long run, such public/private partnerships are a bargain. They result in successful businesses, new jobs, capital formation, and tax revenues.

For this purpose I strongly endorse AWED, a New York-based nonprofit, which has been successfully training women entrepreneurs for over 10 years. It has been a pioneer in an 18-month technical assistance program as well as a business roundtable program for businesses annually grossing over $1 million. Its yearly conference on entrepreneurship has attendance of over 3,200 women, representing 3 countries, 37 States, and 757 cities and towns across the United States.

AWED would successfully institute and augment such a program. It also is well-connected to the private sector, since it is essentially privately funded.

I firmly believe that the private sector must be the leader in this endeavor, for the private sector knows what business is all about and has tremendous benefits to reap if more successful businesses form in our country. However, the private sector needs the help of the public sector in providing some funding to accomplish such technical assistance.

As an example of positive benefits for the private sector, a bank that supports a management training facility with funds and practical experience has a tremendous return on its investment when these women-owned businesses are successful and bank at their bank. That original investment can pay dividends for decades to come from more than just one original entrepreneur.

The public sector's benefits accrue from having more people employed and increased tax collections. This is a positive partnership for all, and I cannot underline that enough times.

As we approach the last decade of this century, let us harness the skills, talents, and energies of our population. This is a great country that must be competitive and productive to be number one. I can think of no better natural resource than our American women, who can and will add to the strength and fiber of American businesses in the 21st Century.

Thank you.

Chairman LaFalce. Thank you very much, Ms. Ascher. I certainly applaud your call for a public/private sector partnership with respect to the promotion of women in business. I know that in your testimony you speak, number one, on your own behalf, and number two, as a member of AWED's board.

When I said earlier that I anticipated that this would be the last hearing, perhaps, what I had in mind was if the council to which you belong, the Council on Private Sector Initiatives, as a council believes that there should be some private/public sector partnership in this endeavor, we would have a new hearing to hear the official position of that council, or if some representative of the administration such as Vice President Bush would wish to call for such an initiative. We would surely be glad to have another hearing for him or a representative.

Ms. Ascher. Thank you very much, Congressman.

Chairman LAFALCE. Thank you.

Our last witness is going to be Ms. Laura Henderson on behalf of the National Association of Women Business Owners. At this time I would be remiss if I didn't say that our first witness at the first of the six hearings, was the president of the National Association of Women Business Owners, Ms. Gillian Rudd, who is also in attendance today. It was Ms. Rudd and NAWBO who were the prime movers in suggesting these hearings. I am very, very grateful and indebted to them for all the work and assistance they have put in to making these very successful hearings.

Ms. Rudd, Ms. Charles, the counsel. I also see in the audience someone who I'm sorry we didn't have testify because she has testified before Congress so often in the past on so many different issues. Since I see her here, I will recognize Ms. Virginia Littlejohn whose counsel on these and other issues has always been invaluable. Surely, Ms. Littlejohn, if you have any personal statement that you wish to make, we would keep the record open for you to submit it at any point in time.

With that, the mother of a 3-week-old——

Ms. HENDERSON. A 4-week-old.

Chairman LAFALCE. Congratulations.

Ms. HENDERSON. The sleepy mother of a 4-week-old.

Chairman LAFALCE. Ms. Laura Henderson.

TESTIMONY OF LAURA HENDERSON, PRESIDENT AND CHIEF EXECUTIVE OFFICER, PROSPECT ASSOCIATES, ROCKVILLE, MD, ON BEHALF OF THE NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS

Ms. HENDERSON. Mr. Chairman, members of the committee. It is a pleasure to appear here today on behalf of the National Association of Women Business Owners, and I share some of the pleasure of being at the table with Bea, who is an honorary member of NAWBO and shares many of the same beliefs that we, as an organization, do, and the strength of the woman entrepreneur.

As you have heard, I am president and chief executive officer of Prospect Associates. We are a company that does health communication and biomedical research for both the Federal Government and the private sector.

Prospect employs over 150 people, and we are a very fast growing company. We have average growth in the last 3 years of 35 percent minimum a year. Our sales last year were over——

Chairman LAFALCE. Are you public yet?

Ms. HENDERSON. No; I still own all the stock. I keep saying we're a high-risk company.

Our sales last year were over $7 million, and we anticipate sales for next year of over $9 million. I, being the optimist, think $10 million, but I only publicly say $9.

I am here today to present NAWBO's recommendations, and these recommendations are recommendations that affect women business owners, and recommendations on issues affecting the entire business community. But I am also here as a tired mother of a 4-week-old because of my own personal feelings about the contribution that women can make to the future of our country. Our country needs new ways of doing things. We need innovation and creativity. We need an emphasis on quality. We need to acknowledge as a country the changes that have occurred in our economy and our workforce.

We are now a world economy. We have moved from an economy of products to an economy of services, based, quite often, on knowledge. Today, as entrepreneurs and as people who run businesses and people who manage, we must manage today for work we'll do tomorrow that we don't even know about. We must be able to change constantly, to move, and to provide the latest and the highest technology.

As we look to the 21st century, we look to a very different workforce. We look to a workforce where women, minorities, and immigrants will play a much more important role. We look to a workforce that is much smaller. We move, as employers, from a buyer's market, I think, to a seller's market. We are beginning to already feel that squeeze. We are moving to an era where our workforce may not be trained and may not be ready to deal with the issues that we, as employers, need assistance in. So, we must be willing to train, retrain, and educate.

We hear a lot about the disadvantages of women and the problems we have, because we don't know the way men do it. I personally believe that in our current climate, that is the best asset that women are bringing to the market. John Nesbit has said that women will play an important role because we have not had the creativity and innovation bred out of us.

Women are managing their companies differently. Many compare our style of management to the Japanese successful management approaches. I compare our style of management to the old American way of doing things that somehow got lost and the Japanese adopted.

I know that in my own company I've done it dramatically differently. Our company does not focus on profit, but I hasten to add we have never had a year where we didn't have profit. Our company focuses on quality, on people, and on creating an environment where the best and the brightest in our industry want to work. We receive hundreds of applications for employment, because we do it differently.

When I started my company, and I discussed some of my strategies for running a business with other business people, the nicer ones called me naive, Pollyanna. The ones who were a little bit less nice sometimes called me crazy, insane. They said things like, "You'll learn."

But 2 weeks ago, the Governor of Maryland gave to Prospect its one of four economic development awards, and these awards were awarded to companies for being the best that they could be. In doing this, they cited our holistic management approach and our innovative employee programs, entrepreneurship, and stretching our employees to do more than the average company would allow them even to think of.

Also, many of the people who called me naive, who called me stupid, are not in our industry any more because their companies went out of business.

Over the past few weeks you have heard of the contributions that women are making to the economy. You have heard that women entrepreneurs are the fastest growing sector of the entrepreneurial community; that we own 25 percent of small businesses; that we are playing a key role in the shift of the economy from a manufacturing base to a knowledge-based economy.

But you have also heard that we have more to offer. Our ability to contribute, to contribute to job creation, to innovative, new, and more humanistic management approaches, and to the American economy as a whole, is being impeded. It is being impeded by barriers which include access to capital and to credit; access to the largest market in the world, the Federal Government, as well as State and local governments; misleading and the absence of accurate data on women business owners; the absence of a public-sector support for governmentwide programs; and as we have heard much this morning, the lack of effective and sustained technical assistance programs. These barriers prevent women business owners from being the economic catalysts that we might otherwise be.

To assist in removing these barriers, NAWBO has developed a set of recommendations which are described in great detail in my written testimony. These recommendations are designed to assist women business owners to reach their potential. Not because we are not good, we are very good; but rather to remove the barriers so that we can be as good as we are.

Obviously, I would bore you to tears if I told you about the 40-some recommendations that we have made, so I would ask that you refer to our written testimony. But I would like to just touch on a few of the recommendations in each of the areas that I think are especially important.

When Gillian Rudd opened the hearings, she told of a recommendation that NAWBO was putting forward which was to establish a woman business owners policy council at the Department of Commerce which would be responsible for establishing a governmentwide program to encourage full participation of women business centers in the free enterprise system.

We see this council chaired by a member of the Cabinet, and cochaired by a woman business owner. They would develop a 4-year plan of action, and they would develop specific agency plans. I can tell you personally, as a woman business owner who historically has done between 85 and 95 percent of her business with the Federal Government, the agencies are not doing much for us.

That brings us to our second set of recommendations which are in the area of procurement. Throughout the hearings you have heard the problems and the frustrations that women have faced as they have tried to do business with the Federal Government. To look at the viability of organizations that are almost totally excluded from the largest market in the world, one has to say it has to impact on us. We get less than 1 percent of all procurement, over $10,000.

I once did an analysis. I took the sales I had one year and divided it into the amount of money women business owners got, and I determined that the dollars that were awarded that year would have funded 50 companies with sales of my company's size. That is one per State, a very appalling figure.

We need public policy that will support our emerging entrepreneurial sector. I feel very encouraged and delighted that this committee recognizes that and has spent 6 and possibly 7 days looking at this sector. NAWBO has struggled long and hard with the concept of how we get Federal procurement dollars to women. It does not matter how good the programs sound and how good they look if they do not put dollars into the coffers of the women business owners.

However, we have always, as women, been independent, and we have wanted to make it on our own, to prove ourselves. I think little girls are taught that individual effort is the most important thing. We have a tendency to say if we work hard and do a good job it is going to be recognized. But after the number of years that the Federal Government has said that they are, in fact, encouraging and facilitating women-owned businesses to do contracting with the Government, we do not see any increase in the dollars going to women and percentages.

So, we have proposed a two-phase program. Phase one would look at improving the general procurement climate for access for businesses that have not done business with the Government before, and especially in the area of professional and technical services where so many women have their companies. We have in phase one recommended specific programs for women business owners.

But we have also recommended a phase two. If the procurement dollars and the percentages going to women do not increase after 3 years of phase one activities, NAWBO believes that it will be necessary to establish a set-aside program for large and small women-owned businesses to get access to the Federal marketplace.

The highlights of our recommendations in phase one, in kind of the general improvement of the climate area would be one, to establish a blue ribbon commission, and I might say this was a recommendation that NAWBO took to the White House Conference on Small Business, and it came out in the top 20 recommendations.

The blue ribbon commission would look at public policy as it relates to innovation, quality, and competitiveness. Then they would take a very strong feeling that came out of the White House Conference, which was to review the small business set-aside program to really look, innovatively and creatively, at how it could be done better. All of us who have benefited from that program think it is very good, but think there is tremendous opportunity for improvement.

We would recommend that the Government revise and improve the way that it purchases professional and technical services. Our contracting system is really based on how to buy airplanes, and toilet paper, and test tubes. When you are trying to buy something such as was bought from my company, how to train health professionals to deal with the issue of AIDS, you need a really different way of doing it, and you need a specialized corps of contracting officials who can understand the subtleties and the difference in proposals, and the difference between quality and cost considerations.

Another concern that NAWBO has is that set-asides are clustered very much in certain industry categories. So, when companies grow, and when our best companies get out of the small business size standard, they find that they are totally cut out of the market because whole sectors are set aside. We also find that some procurement areas are hands off for small business. We cannot get in. So, we would recommend strongly that set-asides be spread as evenly as possible across all procurement areas.

Specialized programs in procurement for women would include creating an advocate for women business owners within the agencies to look at procurement opportunities and to put them together with women business owners. We would also recommend a small business preference procurement program that would give technical points to women-owned businesses and technical competition. We would, with Chairman LaFalce, encourage incentives for prime contractors to subcontract to women business owners.

I must be in probably a thousand women-owned business subcontracting plans, and I don't think I've ever gotten any business from any of them.

If at the end of 3 years we did not see a substantial and steady increase in the dollars going to women business owners, we would then ask Congress to legislate a set-aside, and we would want it to be competitive, and to mimic the competitive process in open procurement, except we would want it faster.

Another area of concern to NAWBO is in the area of data and statistics. I always take this personally because every time we talk about women business owners I am not included, because the definition for the data collection does not include corporations. So, companies like my company are not included. We get a very skewed view of what women-owned businesses are, how many people they employ, what their revenues are. Certainly, with my experience with NAWBO and the Committee of 200, I don't believe the view that is given through our data as correct.

Therefore, we are recommending that Congress mandate the regular collection of reliable data on women business owners. We also are very concerned about the standard industrial classifications, and the fact that they do not reflect the changes to the services sector, especially the professional and technical services area. We would encourage that Congress mandate a change to the SIC codes, and, in fact, a replacement for them.

The third thing we are recommending is a private funding commission on the changing American economy, with an emphasis on services in the high technology.

Repeatedly through the hearings, women business owners have talked about the problems of access to credit. Without capital and credit, women-owned businesses will not be begun, and will not be able to take advantage of the opportunities that are there for them.

The need was certainly underlined when a venture capital fund was set up by the National Association of Female Executives. They set up a very small fund with very small ceilings, I think about $5,000 was available. They expected a couple of hundred applicants. They got 1,800 applicants for these dollars. This shows there are many women out there with ideas who are ready to start businesses, but who can't do it just because of the inability to get capital.

We would encourage Congress to enact legislation that would ensure equal access to commercial credit for women. We support

H.R. 1879, which the chairman and Congresswoman Boggs have sponsored. However, NAWBO would favor stronger amendments to the equal credit opportunity so that no exemptions would be given from the protections for commercial credit.

We would also encourage educational programs for lending institutions on how to review loan packages from soft asset companies. One of the most serious problems that we have in the services sector is that when we go in and talk to a bank, and they look at our balance sheet, they don't see what our real assets are, which are our people and our backlog. Therefore, we are at a disadvantage if they're being reviewed on an asset-based basis. So, we would encourage educational programs to be designed for lending institutions.

Finally, NAWBO, I think, is special, perhaps not unique, in the fact that it sees business responsibility being much broader and much wider than what has traditionally been thought of as business issues. We believe the small business community must participate actively in issues much broader than merely business issues. The business must unite with Congress and with the president and with nonprofits, to find solutions to major national problems.

When you start a company and you build it from scratch, and you look down that road to the future of that company, you want it to exist after you're gone. You want it to have a life after you do. You cannot look at it in isolation. You must look at it within the context of what is going on in the economy and in the world.

As such, NAWBO brings forth three recommendations that are much broader than women-owned business issues. We recommend that Federal policies be established that encourage savings and investment, and that we invest strategically in America's long-neglected infrastructure; that we coordinate a campaign and partnership between the private sector and the public sector to combat substance abuse and AIDS, tremendously serious problems in our country; and that we develop an initiative emphasizing the importance of excellence in education at all levels, with lifelong retraining and policies that ensure readiness of our workforce.

Probably the thing that touches my heart the most is my concern about the future of our workforce and the problems of children and women living in poverty. If we don't get our women out of poverty, we don't get our children out of poverty. Our workforce for the future will not be what this country needs. It's a terribly important issue that every American should be concerned about. NAWBO would like to thank you, Congressman LaFalce, and the entire Small Business Committee, for holding these oversight hearings. This is the first time that full committee has looked at the issue of women business owners in oversight hearings, and we thank you and applaud you for that.

The House Small Business Committee is at the forefront in conceptualizing and shaping public policies that unleash the creativity of capitalism and open new vistas of innovation and opportunity, that train our workforce of today and tomorrow for constantly evolving jobs of the future, that transcend narrow interest and national borders, and that foster trade and the spirit of international cooperation, and strengthen the fabric of society, and enhance our quality of life. NAWBO hopes and trusts that Chairman LaFalce and all of the members of the Small Business Committee will continue to provide such vision and leadership as Congress addresses the challenges facing America's businesses, workforce, and citizenry as we stride into the 21st century. Thank you.

[Ms. Henderson's statement may be found in the appendix.]

Chairman LAFALCE. Thank you very much, Ms. Henderson. We are indebted to you, and as I said, we are indebted to NAWBO for their tremendous assistance over these 6 days of hearings on this whole subject of women in business.

I am not going to ask too many questions, but since this is, in all probability, unless the council wants to come in with official recommendations, or Vice President Bush wants to come, the last hearing, let me just reflect a bit on the course of these hearings.

I was truly upset to learn that from 1980 to 1987, when I became chairman of the Small Business Committee, and I realized there had been no hearings in Congress explicitly on this issue, and also to learn that the Inter-Agency Task Force on Women in Business had not issued a report since 1980, despite the fact that they were charged with the responsibility to issue annual reports. I like to think, perhaps, that is one of the reasons we did get a report—I think it was in November or December 1987—as brief, short, and perfunctory as that report was.

So, while I cannot at this time tell you that I agree exactly with your recommendations regarding a Women's Business Council within the Department of Commerce—I have some qualms about putting anything within the Department of Commerce, or the Small Business Administration, or what have you—I think the office of the President sounds a little nicer to me.

Ms. HENDERSON. We would not argue.

Chairman LAFALCE. We want to see what we can do, and we have given encouragement to the Inter-Agency Task Force at their next meeting which is going to take place on June 12, to make up at one meeting for what they have not done for the past 8 years. Whether that will happen or not, I don't know, but we will continue to encourage them.

With respect to procurement, 1 percent of the Federal procurement dollar is grossly inadequate, yet at the same time we cannot lose sight of the fact that in 1980 it was four-tenths of 1 percent. I suppose it is a question of what your expectations are as to whether you are happy. Some might have had very low expectations and might be happy that they have gone from four-tenths of 1 percent to 1 percent. I think we should have greater expectations, greater goals, greater desires, and, therefore, I am still very, very unhappy at the fact that we have only 1 percent. I think it is grossly inadequate.

Much more important than that, however, is the opportunity to get a much larger portion of the Federal procurement dollar through subcontracts. I was very distressed to learn that no goals have been established by any of the agencies with respect to subcontract opportunities for women. I have encouraged the Government to do that, and we might be mandating, legislatively, that they do so, because we are talking about the rest of the 99 percent of those contracts, I think there is a gold mine there.

However, I also believe that procurement is something that most business owners, women business owners included, did not participate in that extensively. Most businesses do not do business with the Federal Government or other governments. They operate in the mainstream, private sector economy. We should be putting most of our efforts in that area in the future, and we intend to do that.

One thing we have suggested, I have introduced as the chief sponsor along with Representative Lindy Boggs, the Equal Access to Credit Bill. Not only as chairman of the Small Business Committee, but as a member of the Banking Committee, we are going to be pushing that very aggressively, because I think that legislation is very important.

As you know, we have had discussions with the Federal Reserve Board regarding their recommendations and actions taken thus far. We will continue to have discussions with them to see what changes they could make administratively, and what changes we can make legislatively to clarify the law. At the same time, there are some pragmatic problems, and, therefore, I do not know that we would be able to go as far legislatively as NAWBO might desire. I do not know that it would be wise, either. So, I do not want to tell you that I agree with all of your recommendations.

I think too, that it is important that we understand that we are not trying to be of help to women just so we can help women. We are trying to be of help to women because, as we do so, we can be of great help to America. The energies and the talents and the potential of women constitute a relatively untapped gold mine within America. If we can tap that gold mine, if we can unleash those resources, we can do much to fulfill America's economic potential. That is what we want to do.

I also think that politically it would be naive if both parties, the Democratic and Republican parties, did not realize that both of them have much more to do to tap that gold mine. I will be working with Senator Bumpers in trying to ensure that the Democratic platform does recognize the special needs and special potential of women in addition to the whole small business community, and I would encourage the Republican party to do likewise. Ms. Ascher, whatever you can do with Vice President Bush with whom I know you are quite close, we would appreciate it. It would be helpful if both parties had strong planks and then made efforts to fulfill the promise, fulfill the potential.

Perhaps our greatest need is additional management assistance, however, and training and counsel. In that regard, AWED has been outstanding in the past, and I think it would be wonderful if we could replicate nationally what AWED has been able to do in the local area, primarily the Northeast, primarily the New York City area.

We have had not only private groups that provide excellent management assistance. We have had public groups too, and public/private groups. AWED was a public/private partnership until 1980 or 1981. I would like to renew that public/private partnership.

We have an excellent organization in the State of Michigan, for example. Are you familiar with the BIDCO program, Bea?

Ms. FITZPATRICK. BIDCO?

Chairman LAFALCE. Yes; I think that is what it is called in the State of Michigan. Ms. Henderson, am I correct in that?

So, there are a great many different approaches that we might be able to take, and we will have to consider what approaches might be appropriate as we ponder the testimony that we received over the course of these 6 days and month and a half of hearings, and as we try to come up with an action plan. That is what we are looking forward to as we sit down and study all the testimony that has been given.

What I would like the Small Business Committee to come up with is not simply a codification of the testimony of the facts and recommendations that the witnesses have made, but perhaps with an action plan. I hope we might be able to come up with that within a month or so. Maybe we will use the occasion of some of the speaking invitations that I have had to reveal those plans.

I think that is all I want to say.

Ms. SHAPIRO. Mr. Chairman, could I just add one thought that I had?

Chairman LAFALCE. Sure, Ms. Shapiro.

Ms. SHAPIRO. This is a little tangential.

Chairman LAFALCE. Am I going to get that walk-on part on Dynasty or not?

Ms. SHAPIRO. Absolutely. It's a done deal. [Laughter.]

We have talked a lot about partnerships here today, between the private and the public sector, and between all of us who coventure with other companies. But I think if we get down to the most basic one partnership that means more to me than anything is really my family. As I think of my husband, I think of all the men who are partnered with women here and throughout America.

One of the things that concerns me is that even as we find ways to help people live longer, we don't provide them with the ways to do anything meaningful. Especially women. At the same time, society imposes on men a dictate that they must assume the total care of their families. Many of our most talented and productive men are so stressed out that we have this alarming death rate of men in their 40's and 50's. I would like to say to you and to the committee that we women want to share the burden.

We want the men we love to stay alive to reap the benefits of what they have worked for. We would like them to enjoy their homes, see their children grow, and live out the full span of their lives. We don't want to hear about men dropping dead at 45, and 50, and 55, because we have an attitude and a stereotype that says men must shoulder the whole responsibility. Women do not need to be taken care of that way. We can share the workload, and we can grow together. I think this sharing will have an enormous effect on the way our society looks at ageism, on how we evolve as role models for our children, even, for example, young women who turn to teenage pregnancy to avoid facing a future with no possibilities.

I receive thousands and thousands of letters from young women all over the country who say I want to grow up and be like you. Well, I never thought that would happen to me, but because it has, I offer to you and to your committee all my human resources to help women to become self-sufficient. I'll put myself on the line. I know it's hard, and I know there is not a lot of money, but you know, my life-long attitude has been that unless it is almost impossible, it isn't even worth risking. I want today to be a memorable day, and I want us to find a way to go into business together and let me prove to you that the women here who are in free enterprise know how to do this. We can help make this thing happen if we all want it to. Thank you.

Chairman LAFALCE. That is fantastic enthusiasm. I believe, too, that you could do probably anything you wanted to.

Ms. SHAPIRO. I want plenty. [Laughter.]

Chairman LAFALCE. I understand.

Mr. MAYER. Congressman, on a much drier level, could I make a comment?

Chairman LAFALCE. We'll defer to the husband of Karin Lissakers; yes.

Mr. MAYER. That's right. That if, in fact, Ms. Henderson could make women entrepreneurship the vehicle by which American banks began to lend on a cash-flow, rather than an asset basis, it would be perhaps the greatest imaginable contribution.

Chairman LAFALCE. That is a terrific suggestion, and that suggestion was made at an earlier hearing, and we were very, very fortunate at that hearing that somebody from the American Bankers Association was in attendance. I made the suggestion that the ABA should start discussing, as part of their educational programming and training, how loans could be made on a cash-flow basis rather than just an asset basis. I am going to be addressing that suggestion amongst other issues at their conference on small business lending in Boston in a few weeks.

These are the type of incremental things that can be done. If the American banking community will start educating their lending officers about that possibility, that is more important than all these procurement programs that we are talking about. I don't mean to denigrate them at all, but that would be extremely important, as you point out.

Mr. Hayes, you may want to make a contribution to this. Thank you.

Mr. HAYES. I certainly, Mr. Chairman, want to thank you for having convened this hearing. I have listened with interest to some testimony. I am being very candid, I do not know if I agree with all the recommendations which you have submitted. I have not studied them all.

My first inclination was to, when I left to go vote, was to not return, because we had at the same time, as so often happens, a meeting of the Congressional Black Caucus, and one of the issues on the agenda this morning with the continuation of yesterday's meeting was the set-aside program as it affects minorities. So, I called my staff person and asked if he would sit in for me at that meeting, because I wanted to be here to hear this testimony, because we do have a specific problem which I am sure is not going to be a localized problem. It is one that is going to spread in other areas.

As to the application of the set-aside program, in Illinois as it relates to highway construction, women have been used because of action of this Congress, on pretty short notice, to include women as a part of the minority on the 10 percent set-aside program for highway construction. I think we have roughly around 15 percent in Illinois.

But the troubling part of it, I have no problem with entrepreneurship of women and being in business, but I think the way it is being applied has to be corrected and instead of women being a part of the 10-percent set-aside, we ought to make them a part of the 90 percent that is still out there hanging and being used by predominantly white men. The front that has developed as a result of this, some women being a part of the program only in name for the men who are really the ones behind the seat, according to our information, are the ones who have been real benefactors of the procurement programs. There is roughly $220 million involved in the highway construction going on in the State of Illinois and other States.

When you set up the rule or the guidelines by which we operate, I think it has to be with a degree of fairness and understanding. My concern is one that goes to the consumer level when you get the little people. How many jobs are provided. I like the approach that I saw in some of your testimony here. The have-nots, an awful lot of people are out there out of work. So, even in the letting of contracts to minorities or women, I think it has to be done on the basis of what it is going to do for jobs and helping people who need help.

I was wondering, Ms. Henderson, in your recommendations there are a couple of things that bother me a little bit. If you would look at your first section, point number seven, "Congress should enact legislation eliminating Federal competition with the private sector." I have nothing wrong with privatization—I think that is what you are alluding to—as long as it does not adversely affect people. I have some problems here on this Hill. The Government used to be the one who ran the restaurant. Now, it has become a part of a private enterprise. The food prices went up and the quality went down, and the welfare of the people who work there is always jeopardized. So, there are areas where I think the Government's competing with the private sector is necessary.

I have some problems with the airline companies. What has been done in terms of removing some of the controls, and what has that done to the public? It does create some problems.

I know you have a time problem. You indicated you have a 4-week-old baby——

Ms. HENDERSON. I have a very hungry baby outside probably screaming.

Mr. HAYES. Can you tell me what you mean by that?

Ms. HENDERSON. Our concern is the Government is moving into areas that the private sector could provide services in or goods in. Especially in new areas which are being established. We need to look very carefully as to whether the goods and services are available in the private sector, and if they are, not establish it as part of the Government, but to purchase it from the outside.

We feel that the private sector competition should encourage competitiveness in quality and in cost. But I think we have to look very carefully at established programs and how we do it so it does not impact on people. We are concerned about people, too. But the Federal Government is moving into areas that are established in the private sector and where programs have not existed before where they could buy it from the private sector.

Mr. HAYES. Your point 16, you said direct all agencies to include at least one bid from women-owned small business for all small purchase orders under $25,000. Is that establishing a goal or something?

Ms. HENDERSON. What we have been searching for is a way for women business owners to get their toe in the door. This was kind of a concept that if women could get these small purchases that they would then begin to develop a track record and——

Chairman LAFALCE. It would be fair to say, Ms. Henderson, that your presentations were more a wish list, and your wish list probably contained at least a few throwaways.

Ms. HENDERSON. A few.

Chairman LAFALCE. All right.

Mr. HAYES. I didn't want to be that harsh.

Chairman LAFALCE. I'm not being harsh, I am being realistic. Also, I am concerned about her 4-week-old baby, so let me just intervene and say let's not kid ourselves. I think we have a million things that we can and should be doing to assist women business owners and women in business, and we are going to try to do that.

However, with respect to set-asides, in my judgment that is not one of them. Set-asides are quotas. I do not like the idea of quotas, generally speaking, although there are certain exceptions that we should have. We have them, I don't think we should expand upon them. I don't think we should be having quotas for women or set-asides.

Now, I distinguish between goals and affirmative action efforts, however, and I think we ought to have goals, and they should be much, much higher than they are right now. In fact, in some instances they don't even exist, for example, with respect to subcontracting. So, I think it might be difficult for this committee to make recommendations that women should be participating in set-asides, and I don't even know that you want it that much.

Ms. HENDERSON. We don't want a set-aside. However, we get to the point——

Chairman LAFALCE. You want realistic action and the goals and the affirmative action, and you want us to know that if we don't make that realistic action that you might be revisiting us.

Ms. HENDERSON. Right. Also, the issue that women-owned businesses face is that even when the desire of a procurement person is there to help women, there is no mechanism. There is no way that they can push things.

We get calls from people all the time saying because you're a woman-owned business, I can sole source this to you. I laugh and say no you can't, then they go back and talk to their contracting people. So, they start out and find a company that is qualified that is woman owned, and they can't get the work to us. So, it is an issue of even if the desire is there, how you get it there if there is not a mechanism.

Certainly, NAWBO has never encouraged set-asides for women-owned businesses. It is not something we would particularly want to see. However, if the percentage continues, and if the actions remain lip service, then I think we have to look seriously at something more drastic that I don't think any of us would particularly want to move to.

Chairman **LaFalce**. I appreciate that comment.

Bea, for the last word.

Ms. **Fitzpatrick**. No; I just wanted to address something that I thought was implied in some of Congressman Hayes' remarks.

I think it is crucial that women and minorities who have both been excluded from the mainstream of our economy don't allow fighting over some money, or contracts, or anything else to separate us, because I think our common interests outweigh any kinds of concerns. Most women in the United States do not want Federal contracts. They really don't. Most women want a chance to run a business in their own community. They just need the training to make that succeed.

I don't think any programs that are developed for women entrepreneurs should be allowed in any way to take anything away from what has been developed for minority entrepreneurs through long struggle of minority groups over the years. I think anything that is done for women should be in addition to and should only be allowed to be in addition to. If there is a local government that has a 10-percent set-aside for minorities and then wants to include women in that 10 percent, they are helping set women and minorities against each other, and I think we have to understand that is political suicide for us to engage in.

So, I think it is very important for the Government not to promote anything that would in any way encourage women and minorities to do anything except see that mutual growth is essential for the growth of small business in this country.

Ms. **Henderson**. I agree. I believe strongly, and NAWBO believes strongly, that we have some of the same issues. I have been in so many meetings where they do, to get you off their back, start pitting the minorities and the women against each other. Send you out of the room while the main discussions are going on, to negotiate.

We have been supportive of minority programs and continue to be.

Ms. **Fitzpatrick**. I just also want to say on this that a quarter of our—I think I know the program you're talking about. It's the program that is addressed only to low-income women. We just happen to think all women need access to training and not only low-income women. We also think that programs that are designed only for low-income people do not get the kind of support in terms of length of time or breadth of support as programs that are addressed to a whole population.

So, just from a public policy point of view it is very important that if you are going to do anything for women, whether it's in management training or anything else, that it be for all women entrepreneurs. We have women coming in our training program who are on welfare, who are unemployed, who are paid for by the State of New York for us to train because they're in those categories, and we also have women who are at the top of their profession who are vice presidents in major corporations, and they are in training groups together. What we find is that they have more in common, and that the areas in which they have been short changed are more common than any differences they have because of background or anything else.

So, I think it is very important when you are thinking about providing management training for women that you do it for all women, and not just for categories.

Chairman **LaFalce**. Absolutely. No question about that in my mind.

We are going to have to conclude.

One more thought. Mr. Mayer, you have written at least a dozen books.

Mr. **Mayer**. Two dozen.

Chairman **LaFalce**. I have only read three. "The Fate of the Dollar," "The Money Bazaars," and "The Bankers." I hope to read your book as of yesterday, "The Markets," but why don't you make your next book "The Hidden Gold Mine in America, Women." I'll take full credit for you if you do.

Mr. **Mayer**. We'll give you a commission.

Chairman **LaFalce**. You can coauthor it with your wife. It is a good idea, and I do want to see Karin on Third World debt issues.

Ladies and Gentlemen, I think these have been terrific hearings. Unless Vice President Bush wants to come back and testify, or Linda Evans, or Joan Collins, this will conclude our hearings.

Ms. **Ascher**. They're both business women. They both run a number of businesses.

Chairman **LaFalce**. We'll have a hearing if either Linda, or Joan Collins, or both want to testify, any time. Polly Bergen started it. We'll allow them. We'll have Linda Evans, and Joan Collins, and George Bush on at the same time.

[Laughter.]

Thank you very much.

[Whereupon, at 11:30 a.m. the hearing was adjourned, subject to the call of the Chair.]

APPENDIX

Opening Remarks
of the Honorable Silvio O. Conte
Small Business Committee
April 26, 1988

Thank you Mr. Chairman, you are to be commended for convening this series of six hearings on Women's Business Issues. There are approximately 3.7 million businesses operated by women today, accounting for 27% of all businesses in America. They are the fastest growing segment of America's business population - growing at twice the rate of businesses owned by men.

In 1986, woman received 33% of all MBA's and 14% of the engineering degrees. Also in 1986, 83% of female officers in the Fortune and Service 500 were at the vice presidential or above levels. Additionally, 30% of managers, 16% of lawyers, 20% of doctors and 40% of programmers were female. Clearly the accomplishments of women are spectacular, but their potential for small business and our country is even more awesome.

While all businesses face the same start up problems, women owned businesses have additional barriers primarily relating to credibility and equal access to capital.

It is vitally important that we as members of the Small Business Committee double our efforts to advance women's participation in business by eliminating barriers and developing their participation in public and private sector activities.

I look forward to the testimony of our distinguished panel today and to future participation in a program of initiatives that will allow women to achieve their personal and economic potential. Thank you.

JAMES H. BILBRAY
1st District, Nevada

Committee on
Foreign Affairs

Committee on
Small Business

Select Committee
on Aging

Congress of the United States
House of Representatives
Washington, DC 20515

1431 Longworth House Office Building
Washington, DC 20515
(202) 225-5965

DISTRICT OFFICE:
1701 W. Charleston, Suite 300
Las Vegas, NV 89102
(702) 477-7000

April 26, 1988

CONGRESSMAN BILBRAY'S OPENING REMARKS FOR THE SMALL BUSINESS COMMITTEE HEARINGS ON WOMEN'S BUSINESS ISSUES

Mr. Chairman, I congratulate you on your leadership to hold hearings on women's issues. While only one in every three American women was employed thirty years ago, today, over 50% of American women hold jobs outside the home. In my Congressional District in Southern Nevada almost 50% of the working force are women.

Though I realize these hearings are for businesses operated by women, these figures are an indication that women will continue to increase their participation in the business world not only as employees but managers, presidents, and owners.

As a lawyer involved with business over the past twenty years I can remember the term - **NON TRADITIONAL** - used to describe areas of business where women were not found in large numbers.

It was non traditional for women to be involved in construction, engineering, or for that matter any field that was traditionaly considered a man's field.

Fortunately for us as a nation we have progressed enough to realize that no career field is exclusive to one sex or the other.

James H. Bilbray

NATIONAL ASSOCIATION OF
WOMEN BUSINESS OWNERS
(312) 922-0465
600 S. Federal St., Suite 400, Chicago, Illinois 60605

TESTIMONY OF GILLIAN RUDD, PRESIDENT
NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS
BEFORE THE
HOUSE SMALL BUSINESS COMMITTEE
APRIL 26, 1988

My name is Gillian Rudd. I am a woman business owner from Washington, D.C. It is with great pride that I come before you today as President of the National Association of Women Business Owners of the United States--"NAWBO."

NAWBO is a national trade association of women entrepreneurs. It was founded in 1974 and has grown to 38 chapters throughout the United States. It is the only national organization that represents the whole spectrum of well over 4 million women business owners across the United States. NAWBO is affiliated with women business owners in 22 other countries across the world through a 35-year old international organization of women business owners, Les Femmes Chefs D'Entreprises Mondiales (FCEM).

NAWBO works to advance the interests of women business owners through education, mutual support, and collective efforts at the local, state, and federal levels

NAWBO deeply appreciates the opportunity you, Mr. Chairman, and the Committee are giving women business owners to present our case on the economic impact women business owners have made on the national economy in the last decade and a half as they have entered business ownership and continue to enter at a rate that far exceeds any other segment of the American business community.

Against All Odds!

As I travel nationally and internationally, I have almost daily conversations with women business owners. I hope that what I say today will reflect what they tell me and that I can convey to you the depth of their feelings.

There is an enormous amount of pride among women business owners. We know that we have made phenomenal achievements in the last decade or so, personal and public--***against all odds***. But there is an equal amount of frustration and anger--at the barriers that continue to impede our business growth.

We hope that the witnesses you have called for these hearings will demonstrate what women business owners are doing and have done over the last 10-15 years, as we have grown to own, in sole proprietorships alone, more than one quarter of the nation's businesses--over 3.7 million was The Small Business Administration's (SBA) figure for sole proprietorships for 1988.

Our Present And Potential Value To The Economy

The stories these witnesses tell should demonstrate our *tremendous present value* to the economy and our potential for making infinitely greater contributions in the years ahead.

Our *present value*-- a conservatively estimated impact of some $250 billion annually on the economy--has been achieved with infinitesimal assistance or encouragement from the public, major corporate, and financial sectors, and has frequently been met with hostility, discrimination, and resistance.

Realizing our potential value to the economy lies in many ways in your hands, gentlemen and gentlewoman. As you will see, we are making some suggestions.

The Need for Tough and Visionary Leadership in the Business Community

NAWBO strongly feels that we need leadership, tough and visionary, in the business community --in both the public and the entrepreneurial sectors. We need leadership from *you* to help those of us in the business community to grow, to be profitable, productive, competitive, quality firms, to create more jobs in our communities, and to put more dollars in our federal, state, and local treasuries. Current estimates are that women business owners now pay annually $37 billion in federal taxes and $13 billion in local and state taxes.

NAWBO is deeply concerned with the country's disastrous international imbalance of trade and with our mountainous domestic debt and wants to work to get the United States off the trade deficit slide internationally and to reduce our domestic debt. We women business owners do *not* see our economic growth as a social issue or a special interest issue, we see it as part of a national economic issue.

Access and Incentives!

Women business owners are in all types of businesses and at all business stages. I see from the list of witnesses today and tomorrow that you will be talking to women who have seized opportunities, wrested with opposition, stepped around barriers--who are competitive, profitable, who operate internationally and nationally, who are innovative, who are entrepreneurial.

As I have said, they have achieved their successes against all odds.

But, NAWBO is not, never has, and is not now asking for handouts and set-asides.

However, **we will no longer *step*-aside.** We have *more* than proved our worth, *more* than paid our dues, in these last 10 years. Existing procurement, credit, and tax policies are crippling us, are threatening our stability, are stifling our growth.

Women business owners--and the full range of entrepreneurs-- must have access to government dollars, to technical assistance, to financing. We believe that the country is at a crucial economic crossroads and all of our taxpayers dollars, all of our government policies should be focused on incentives to America's business growth, to job creation, to international trade.

A Major New Study of Women-Owned Businesses

Tomorrow, in these hearings, we will release *the findings of a major new study* on the state of women business owners around the country--and what government at state and local levels is doing. It refers to women business owners as America's "*hidden* resource." I think some of us--on those bad days when the banker asks for our husband to sign our business bank loan and the procurement official tells us one more time that "there are no qualified woman business owners out there"--think that we are America's *buried* resource--with fresh shovelfuls being thrown on us daily. What *the report will reveal is windowdressing, lip service, and a mere five continuingly funded women business owner programs in states and cities* around the country. A paltry effort--and an unfortunate waste of a valuable economic resource.

"The State of Small Business 1988"?

As you are aware, The Small Business Administration failed to document women business owners progress in their report to the President in 1988. NAWBO was amazed! *How could a document that purported to detail "The State of Small Business in the United States" in 1988 leave out the fastest growing segment of the small business community?* We were told by officials at SBA that no new information was gathered in time--and that is why the women business ownership chapter was dropped from the report, and no mention of "women-owned business" could be found in the index. The fastest growing segment of growth business in the American economy had been made invisible! This omission raises serious questions as to SBA's commitment to the growth of women-owned businesses.

In partial defense of SBA, there is no clear legislative mandate for the agency to focus major attention or resources on women-owned businesses, but this does not explain the low and lowering level of attention that we receive. What women business owners have at SBA--as we have almost without exception in government agencies around the country -- is what may be perceived as windowdressing. Token offices, with little funding and authority, a lot of PR, and one-shot conferences around the country are not helping women business owners. We need systematic, continuing, effective, and quality technical assistance to break down barriers that hinder our growth.

Let's Forget "Small and Disadvantaged Business"!

Let me just say, that this year NAWBO has dropped the words "small business" from our language --it has come to be synonymous with disadvantaged, non-growth business, which is *not* what we are about.

We believe that this Committee and the SBA *should* be two of the most exciting places in Washington, DC. The entrepreneurial community, the growth business community, the emerging business community, is where the action, the energy, the excitement, the jobs, and the innovation are. The SBA should be streamlined, focused, all the political programs that have been dumped into that agency in turn dumped out. We need a strategic plan for business growth in this country. If it cannot be done in the SBA then it must be done elsewhere ...and soon.

Government Programs

In the second part of these hearings, I understand that you have scheduled government agencies to outline the programs they have implemented to encourage the growth of women business owners in the last decade. I do not expect much of a catalog, and when programs are mentioned, I ask you to query if they were a one-shot deal, query the number of dollars spent and the results, the number of contracts that women business owners have received, query who staffs programs, how many staff, what the budget is--in short, evaluate their value.

I would like to add a note of thanks to the Department of Commerce, and to Assistant Secretary for Administration Kay Bulow, who for two years has striven mightily with us in a nationwide attempt to get more of the less than 1% of federal dollars, plus state, local, and corporate dollars into women-owned business by co-convening nationwide procurement events for two years called "MegaMarketplace." And to The Department of Commerce's Office of Business Liaison and International Trade Administration, which has worked to include women business owners in both domestic and international business efforts.

Planning for the Future--What Demographics Tell Us

I understand that you have wisely planned the last segment of the hearings to look at our future--what demographics are telling us, where our deficits are leading us, how a paucity of accurate statistics is harming national productivity, what policies entrepreneurs and emerging and growth companies need to enable them to grow, how we can keep the United States competitive and prosperous in the years ahead. This is of most vital concern to NAWBO--we want to plan for our future and for the future of our children, to *know* where we are going, --otherwise as baseball legend Casey Stengel says " we may end up somewhere else."

What Do We Want As Growing American Businesses?

American public policy makers, the financial and corporate sectors, and entrepreneurial and growing businesses need a forum in which to work together, where a broad spectrum of interests and expertise can meet--a National Strategic Planning Commission For American Business Growth--that will recommend a mission and vision statement for American business/government for the next 5, 10, 15 years and a plan of action.

We all do strategic planning in our own businesses. Other countries do it. It is a sensible, rational, path to take--to look at our resources, to look at our present and future demographics and trends, to look at our present position, our weaknesses and strengths in the global economy, to plan a national path to prosperity.

What Are Women Business Owners Asking For In The Short-Term?

Here are the ***problems*** women business owners face:

- **no programs**--technical and financial, or access
- **no recognition of our growing economic impact** on the national economy
- **no organized systems of outreach** to women business owners.

Here, we suggest, are some **solutions**

We believe these solutions take a new and innovative approach to the needs of the next decade. *They are focused on access, business growth and stability, and economic development.* We are *not* suggesting new programs, we *are* suggesting:

- o **reallocation of existing resources**, with no major new budget programs
- o **a greater private sector role in public sector programs and strong effective public/private partnerships**, particularly with major corporations
- o **the development of 3-year federal model programs** that can be implemented at the state and city level through matching grant programs or local spending
- o assuring that **women-owned business emphasis is placed in existing programs.**

How can we do this?

We need your assistance to get us there. We need attention from the top down...from the House, from the Senate, and from the next President, whatever party. This is a national economic issue to which we need innovative solutions.

A Woman Business Owner Federal Initiative

We need a woman business owner effort that is institutionalized across the entire federal structure in a way that will have long term and broad range impact--a Women Business Owner Federal Initiative. The key to its success is attention and commitment from each Cabinet Officer, The White House, and Congress and the development of a four-year plan of action (with annual targets, goals, and measurable objectives) for each agency, which can be consolidated into an overall federal plan.

The suggested institutional mechanism to accomplish this:

A Women Business Owner Policy Council , established at the Department of Commerce that will consist of key agencies, The White House, Congressional representation, women business owner groups, and individual women business owners. This Policy Council will have a budget and staff to carry out its mandate.

This mandate is to

- coordinate the actions of all federal agencies and departments
- develop the federal comprehensive plan and specific program goals for women-owned business programs
- work with state/city/local planning and trade associations, such as the National Governors' Association, National League of Cities, National Association of Counties, etc. to ensure federal/state/city/county emphasis on this issue.
- establish agency performance goals, monitor, and report progress to Congress and the President
- define the programs needed by women business owners and identify the appropriate agency to develop such initiatives.
  Specific emphasis will be placed on
    capital
    procurement
    high technology
    international trade
    technical assistance and training
    The Departments of Defense and Transportation, The Office of Productivity, Technology and Innovation, The Small Business Development Corporations, and the SBIR program.

Cabinet Women Business Owner Policy Task Forces

1. Each Cabinet officer would appoint a Women Business Owner Policy Task Force under the Assistant Secretary for Administration to develop a 4-year women business owner action plan, with specific targets, goals, and objectives for each year. The accomplishments of the goals would be included in the merit increases of federal employees. Recognizing the barriers women business owners face, restrictions on sole sourcing and other procurement incentives will be established. There would be a sunset provision to dismantle the Task Forces in four years if goals and objectives are reached.

2. Each Task Force would include agency staff, individual women business owners, and representation from women business owner groups.

3. Each agency would allocate a specific portion of program budget for the implementation of model programs.

4. Model programs would be funded for 3 years and through matching grants in subsequent years.

5. The Task Forces would make a yearly report to the President on progress and future actions.

6. The Small Business Administration would concentrate on outreach--through a directory of women business owners, a newsletter, and outreach for programs, would build local constituency advisory groups, disseminate program information,play an advocacy role, and establish a separate and appropriately funded women business owner office with advisory councils on policy.

Legislative Oversight

Congress will review the federal initiatives each year, with oversight hearings at the end of the four-year plan.

Two Immediate Action Programs

1. The Department of Commerce should refine and continue the sponsorship of MegaMarketplace for another four years to widen the effort to bring more women into the procurement process at all levels nationwide. Monies should be allocated for this effort and for surveys on the impact of MegaMarketplace on women business owners and procurement officials, and results in number of contracts and dollars.

2. As a part of The Department of Commerce's excellent initiative to "Export Now" and because of NAWBO's extraordinary outreach to businesses in 22 countries through its international organization, we suggest a special export program targeted to women business owners--again for a four year period--where we screen and select a number of business owners, Commerce works with those business owners to develop a strategic marketing and action plan, and provides a range of technical assistance, while The Export Import Bank provides loans. These businesses' accomplishments, failures, and successes would be tracked and analyzed over four years and would lead to the development of a longer-term entrepreneurial export growth strategy.

NAWBO members are uniquely qualified for this program because:

1. of our existing international business network
2. the fact that our members are heavily in the service sector--America's cutting export edge
3. NAWBO set precedent when we led the first United States service sector trade mission to Europe in 1985, and followed that up with a highly successful health-care services trade mission to Japan.
4. With existing domestic barriers in procurement and credit, women business owners at this point in time may have more opportunities and access to markets abroad-- and the country needs this export push.

A NAWBO Initiative In California, Minnesota, and New York

When NAWBO's executive committee met in Florida last month, we talked about the future of women business owners, and the barriers we have faced for so long and continue to face in the political, business, government, and social arenas. We formed an Economic Development Task Force to define and work to establish policies and programs that encourage and support the growth of women-owned businesses. Our efforts will focus on California, Minnesota, and New York.

Charting America's Course For The Future

NAWBO is deeply concerned about America's prosperity in the future, since we and our children will be living there. We feel that a false sense of prosperity exists in the country, that our short-term, penny-wise, pound-foolish approach deeply endangers our future.

At the 1987 White House Conference on Small Business, NAWBO delegates from across the country developed an issue book, "*Framework For The Future.*" We are updating it for release in May. It will be titled, "*Framework For The Future II: Investing In America.*"

We are calling for American business and government to make a long-term investment in America. We are asking for a holistic approach to the entrepreneurial agenda, a visionary approach, that looks at issues of competitiveness--quality, design, education, technology, research and development, financing and taxes. Our government dollars should be spent now to catalyze growth.

As a country we desperately need a business mission and vision statement and a plan of action. With the right people, the right team, the right vision, we can make our future prosperous, we can move out of our reactive, business-as-usual mode and resume our place as a proactive, competitive, first class, world class economy again.

NAWBO commits itself totally to working with you to achieve this goal.

POSITION PAPERS

SUBMITTED BY

NATIONAL ASSOCIATION OF

WOMEN BUSINESS OWNERS

[NAWBO]

FOR HOUSE COMMITTEE ON

SMALL BUSINESS

HEARINGS ON

WOMEN'S BUSINESS ISSUES

APRIL 26, 27, AND MAY 10, 11, 17, AND 19, 1988

DATA AND STATISTICS

Since the end of the Second World War, the United States economy has undergone major transformations from being primarily a manufacturing economy to a services and information economy. This transformation has resulted from interactions among technological developments, systemic shifts in the structures of industries and jobs, and changes in population. These rapid changes require effective management, but it is impossible to manage anything effectively if we no not understand its dimensions. While the federal government produces a multitude of statistics as disclosed in Statistical Abstracts of the United States and other reports, comparatively little information is available on economic growth, innovation and emerging sectors of the economy. The very components of entrepreneurship.

Women are playing a key role in the transformation of the economy by starting new business ventures in the services, information and high technology sectors. A study of The National Association of Women Business Owners (NAWBO) membership, funded by the U.S Small Business Administration and released in 1984 revealed that members had businesses concentrated in professional services as consultants, accountants, and lawyers--and in communications, distribution, and financial services.[1]

Despite the growing interest that women are starting such business ventures, solid information about the nature and scope of these firms is nonexistent. Data on businesses owned by women is nonexistent by the fact that national data only reflects information on sole proprietorships. As a result, women-owned firms are viewed as being inconsequential in size and impact. This misconception greatly interferes with the ability of the women-owned business community to focus the attention of the government and private sector on its needs, abilities and contributions to the economy.

Several factors contribute to the lack of data and statistics that are available on women-owned businesses. One factor is attributed to inconsistent data. There are four main sources of data on women-owned businesses that are readily available to the public. They are: the census of women-owned business; the Statistics of Income for Sole Proprietorships published by the Internal Revenue Service (IRS); the statistics on self-employed individuals published by the Bureau of Labor Statistics (BLS) in the monthly publication, Employment and Earnings; and current population reports.

Unfortunately, the figures reported by these sources are not consistent with each other. For example, in 1977 (the only year for which data from all these sources are available), the Bureau of the Census substantially undercounted the number of women-owned sole

proprietorships in their Economic Census. Federal income tax returns were the primary source of information for those reports. Business interests reported on the tax returns of married individuals were attributed to the first taxpayer on the return, usually the husband. In 1977, subsequently, the Census Bureau reported approximately 700,000 women-owned sole proprietorships.[2]
In 1977, the Internal Revenue Service drew a sample of tax returns and from the sample estimated that there were approximately 1.9 million women-owned sole proprietorships, indicating that the Census Bureau's figures had been off by approximately 1.2 million. The discrepancy between the IRS and the Bureau of Census exists despite the fact that the primary source of data for the 1977 census was the IRS.[3]

The discrepancy in the IRS and the Bureau of Census numbers may exist because there is no uniform definition of a "woman-owned" business. For instance, the U.S. Small Business Administration's Office of Women's Business Ownership defines a woman-owned business as one that is at least 51 percent owned, operated and controlled by a woman or women.[4] This includes control of operations on a day-to-day basis. The Census Bureau considers a business to be women-owned if the sole owner of half or more of the partners are women, or, in a corporation, if 50 percent or more of the stock is owned by women.[5] Meanwhile, the Internal Revenue Service estimates the number of "female-operated firms for sole proprietorships--by using the first names from the Form 1040, Schedule C that must be filed by business owners. The IRS does not collect or analyze data by sex on partnerships or corporations.[6]

The Bureau of Labor Statistics (BLS) figures count only the number of people reporting to be self employed, not the number of businesses they own nor their share of ownership. The BLS figures also do not capture all U.S. business owners. Corporate owners and partners are excluded from the count, since BLS counts these individuals separately as wage and salary workers. In addition, individuals who are self-employed in a second job, but work for someone else in their primary job are not included in the count.[7]

Statistics based on these definitions represent only the smaller scale businesses owned by women, since they are based on the U.S. Census survey of sole proprietorships, partnerships, and S Corporations. They do not include those women who have moved up the entrepreneurial learning curve in the last decade to larger scale enterprises, nor do they capture those women who initiated their enterprises as regular (c) corporations in the first place.

A glimpse of the possible magnitude of this hidden corporate sector of women business owners can be seen by looking at select groups of more sophisticated women business owners, such as those who were delegates to the 1986 White House Conference on Small Business or who are members of either the National Association of Women Business Owners (NAWBO) or the Committee of 200.

Sixty-four percent of the women who were White House delegates owned corporations (C or S)[8] and 55% of the members of NAWBO are incorporated (C or S), with 42% owning C corporations.[9] Consequently many of these women's businesses were not captured by the U.S. Census survey.

The Committee of 200 estimates that 80% of its members are entrepreneurs, and 13% own or manage firms with revenues in excess of $100 million. This organization was started with seed capital from the National Association of Women Business Owners in order to dispel the myth that all women own micro-enterprises and to point to the fact that women are entering the business mainstream as the owners of large scale enterprises.[10]

The criteria for membership in the Committee is ownership of a business whose revenues exceed $5 million dollars or control of a corporate division of a business with revenues in excess of $20 million dollars. Most important, when the search was made in 1981 for the top 200 women entrepreneurs and corporate leaders, over 1,500 potential members surfaced.

To improve the national data on woman business owners, the Government must establish initiatives to ensure the regular collection of reliable national data on women business owners and further revise and update the Standard Industrial Classification Codes (SIC) to reflect the dynamic changes in the service sector, including the professional and technical services, where the preponderance of women business owners is concentrated.

Although the Standard Industrial Codes were updated in 1987, the present SIC Codes still seriously under-represent the services sector. The SIC Codes, which are used to measure output by industry group, were developed in the 1930s when America was primarily a manufacturing and agriculture economy.

Not surprisingly, in 1988, the goods producing sector is represented by 607 different categories although it represents only one-third of our gross national product and 30 percent of employment. The services sector is represented by 442 industry categories even though it contributes two-thirds of our gross national product and 70 percent of employment. This outdated statistical framework is grossly inadequate to support the development of sound economic, tax, trade, and regulatory policies. Lack of sound data is a practical barrier to understanding the true nature, dimensions and character of the dynamic entrepreneurial business community. This understanding is essential to articulating the proper role for the federal government in promoting growth, entrepreneurship and innovation.

As renowned management consultant Peter Drucker noted, "The aggregates on which all statistics are built are now 50 years old. And so the great national economic aggregates have been reliable plus or minus 40 percent...If you get that much slippage and still base policy on it, your chances of doing the wrong thing are simply too great."

The United States must accelerate efforts to modernize its national data collecting capabilities. Much of this can be done within present systems and without an unwarranted increase in paperwork for the nation's businesses.

Therefore, it is essential to develop a methodology for revising and displaying a new classification system which will be both responsive to and reflective of the rapidly changing entrepreneurial economy and economic structure of the United States. The goal is a flexible classification system which, through periodic updates, will accommodate changes in economic structure and activities while maintaining a basis for historical comparability.

It is also necessary to revise the SIC codes for management and procurement information and control purposes. Development of a system to provide comprehensive information on commercial transactions between U.S. companies and foreign entities would assist in the formulation of international trade policies and assist U.S. business in identifying and evaluating market opportunities.

Nine out of every 10 jobs created in the next decade will be in the services industry. With woman business owners spreading into the service area at a rapid rate, clearly women-owned businesses will be an important contributor to the national economy. Improved data accumulation and statistical evaluation will assist policymakers to determine the needs of women-owned businesses and their impacts on the economy.

1 National Association of Women Business Owners, "NAWBO Membership Profile," (Chicago, National Association of Women Business Owners, 1984.

2 U.S. Department of Commerce, Bureau of the Census, *Women-Owned Businesses, 1972*, (Washington, D.C.: U.S. Government Printing Office, 1976).

3 Ibid.

4 President's Interagency Task Force on Women Business Owners, *The Bottom Line: Unequal Enterprise in America*, (U.S. Government Printing Office, 1978).

5 Bureau of the Census, *Women-Owned Businesses, 1977*.

6 U.S. Department of Treasury, Internal Revenue Service, *Sole Proprietorship Returns, 1979-1980,* (Washington, D.C.: U.S. Government Printing Office, 1982).

7 Recent information on self-employed workers is analyzed in T. Scott Fain, "Self-Employed Americans: Their Number Has Increased," *Monthly Labor Review* (Nov. 1980): and Eugene H. Becker, "Self-Employed Workers: An Update to 1983" *Monthly Labor Review*, 107, 9 (July, 1984).

8 Source: White House Conference on Small Business, 1986.

9 National Association of Women Business Owners, "NAWBO Membership Profile," (Chicago, National Association of Women Business Owners, 1987).

10 Committee of 200, Chicago, Illinois.

THE CHANGING WORK FORCE
and
THE IMPACT of WORKING WOMEN

According to Rosabeth Kanter, professor at Harvard University's School of Management and a leading advisor to many Fortune 500 companies, there are few periods in history that deserve the label of "transforming eras," when circumstances change sufficiently to warrant a major shift of assumptions. Thomas Kuhn, the historian of science, has pointed out that major change takes place only occasionally, in what he called paradigm shifts, when the working assumptions on which people have depended become so inappropriate that they break down, to be replaced by a more appropriate set. Thus, social or economic history is intrinsically characterized by long periods of stability in paradigm, punctuated by relatively short periods of high instability: history as staircase, rather than ramp. Kanter believes this model fits the changing world of business organizations very well.

Business organizations are facing a series of changes more extensive, more far-reaching in implications, and more fundamental in transforming quality than anything since the "modern" industrial system took shape in the years between roughly 1890 and 1920. These changes in the American business environment come from several sources: continued integration of the world economy; further shifts of production from goods to services; the application of advanced technologies to most industries; faster gains in productivity, particularly in services; disinflation or deflation in world prices; and increased competition in product, service, and labor markets. Each of these by itself has changed significantly. The present situation is unusual not only in that each is undergoing transforming change, but that the changes are profound.

Furthermore, radical transformations of the US work force have required companies to address a series of managerial and human resource issues. These transformations include:

- The U.S. has moved toward a society where men and women have equal opportunities to pursue whatever career and family goals they choose.

- White males, thought of only a generation ago as the mainstays of the economy, will comprise only 15 percent of the net additions to the labor force between 1985 and 2000. For companies that have previously hired mostly young white men, the years ahead will force them to look beyond their traditional sources of personnel.

- Over the next 12 years, blacks, Hispanics, and other minorities will make up a large share of the expansion of the labor force. Non-whites, for example, will comprise 29 percent of the net additions to the work force between 1985 and 2000 and will-be more than 15 percent of the work force in the year 2000. Black women will comprise the largest share of the increase in the non-white labor force. In fact, by the year 2000, black women will outnumber black men in the work force, a striking contrast to the pattern among whites, where men outnumber women by almost three to two.

- Approximately 600,000 legal and illegal immigrants are projected to enter the United States annually throughout the balance of the century. Two-thirds or more of the immigrants of working age are likely to join the labor force.
- Seventy percent of all college-educated women work; virtually all women in their twenties and thirties work unless they have small children, and even then half the women with children under six years work.
- As the baby boom ages, and the baby bust enters the work force, the average age of the work force will climb from 36 in 1988 to 39 by the year 2000. The number of young workers age 16-24 will drop by almost 2 million, or 8 percent.
- Part-time, flexible, and stay-at home jobs will increase, and total work hours per employee are likely to drop in response to the needs of women to integrate work and child-rearing, and the modem equipped computer, which will eliminate the need for the office as a centralized communication and production area.
- Love of work is on the upswing. Seventy-five percent of American's no longer find acceptable the prospect of working at a boring job as long as the pay is good. Self-denial in a job setting is an aging idea. Values are changing.
- Relocation is an issue that has brought the two-career family into corporate focus. Changes in values, especially among younger employees, have made career advancement and financial gain alone less persuasive inducements to relocate.

In particular, the mass movement of women into the work force has been hailed by social scientists and historians as a social change of momentous proportions, comparable to the industrial revolution or the waves of immigration in the last century. "It's the single most outstanding phenomenon of this century," says Eli Ginzberg, professor at Columbia University. A Business Week article attributes America's rapid economic growth in recent years to one factor: women entry into the job market as part-time, full-time, lifetime workers in virtually all occupations and at all levels of responsibility.

This transfusion of feminine energy and skill from the private to the public world, is, the article continues, "boosting economic growth, and helping to reshape the economy dramatically. Women have seized two-thirds of the jobs created in the last decade. And they have been the linchpin in the shift toward services and away from manufacturing. Because a rapidly expanding labor force is a principal element in propelling an economy onto a fast-growth track, the influx of women into the job market may be the major reason that the U.S. has emerged so much healthier than other countries from the economic shocks of the 1970s." Nobel laureate Paul A. Samuelson, professor of economics at M.I.T, adds, "To the degree that women are getting an opportunity that they didn't have in the past, the economy is tapping an important and previously wasted resource."

In the 1980s women have become major players in the economic fabric of the United States. Furthermore, as the country becomes more fully entrenched in the information economy, it is becoming clearer that, if industrial America was a man's world, the new information economy is an era when women's economic achievements can be showcased. Thus, as we approach the 21st Century women have a unique and very important stake in business, both as owners and as employees.

Between 1970 and 1985, the female labor force participation rate increased almost 85 percent, so that women now compromise 55 percent of the work force -- compared with 38 percent in 1960 and only 27 percent in 1940. The Bureau of Labor Statistics estimates that in 1995, 60 percent of women will work. Slowly but surely, women's labor force participation will move toward matching that of men, approximately 75 percent.

Moreover, in the space of a generation, women's work patterns have undergone a complete metamorphosis. At the end of the Second World War only 10 percent of married women with children under the age of six held jobs or were seeking them. Since then mothers of preschool children have thronged to the job market. By 1985 the census had classified more than half of these young mothers not only as participants in the work force, but also the fastest growing segment of the labor force.

Women are crowding into sectors of the work force traditionally occupied by men. From 1972 to 1985 women's share of professional jobs increased from 44 to 49 percent and their share of "management jobs" nearly doubled -- growing from 20 to 36 percent. From 1960 to 1983 the percentage of lawyers who are women had risen from 2 to 15 and the percentage of jobs in banking and financial management held by women had risen from 9 to 39.

A similar shift has occurred in blue-collar work. From 1970 to 1984 the number of female butchers in packinghouses had risen by more than a third and by 1984 nearly 80 percent of new bartender jobs were going to women.

The future promises yet more blurring of traditional sex roles in the work force. In the United States currently, more women than men are enrolled in college and universities, and women are earning a steadily rising share of all advanced degrees. For example, in 1983, 45 percent of those receiving accounting degrees, 36 percent of new lawers, 36 percent of computer science majors, and 42 percent of business majors were women.

As women have been moving in ever-increasing numbers into jobs and professions traditionally occupied by men, the work environment has begun to respond to women's needs and values. Working women, for instance, are raising the issue of comparable worth. Women's pay, though still a long way from parity, has risen from 57 percent of men's wages in 1973 to 64 percent in 1987. Despite this disheartening figure, there is cause for optimism.

As women prepare themselves for business, enter traditionally male fields, and move from staff to managerial positions, the gap in pay will continue to narrow. For example, according to a study in Working Women magazine, professional women have made steady gains, earning seventy-five cents for each dollar a man earns, compared with only seventy-one cents in 1983. Furthermore, women's wages, especially in secretarial and clerical fields, will grow to reflect declining numbers of entry-level workers -- and the increased options for women in other areas.

Working women have also made maternity leave one of the major personnel issues of the 1980s. The Pregnancy Discrimination Act of 1978 requires employers to treat pregnancy like any other disability or illness. In practice this means that company insurance must cover the same share of costs that would normally be paid for any illness, and that the employer must give the mother a short disability leave. The law does not require the employer to extend the leave beyond the immediate recovery period or to guarantee the job security of the mother if she opt for a longer absence.

Many of the nation's largest corporations, however, extend a twelve-to-sixteen-week leave to new mothers, most guaranteeing job protection. Some of these corporations also allow paternity leaves, although most companies actually frown on men who take this option. Many smaller companies extend leaves, but guarantee the mother her job or a comparable job only if favorable business conditions prevail. Most American companies that extend leave do not give the mother any cash benefits after the immediate recovery.

Congress has introduced legislation that will close the gap between the new diverse work force and outdated maternity leave personnel policies that govern the workplace. The House Education and Labor Committee November 17, 1987 approved the Family and Medical Leave Act requiring many public and private employers to offer their workers job-protected family and medical leaves. The bill requires businesses with 50 or more workers to grant unpaid leaves. The threshold would drop to 35 workers after 3 years unless Congress acts affirmatively to change it.

The bill, which permits an employee to care for a newborn or newly adopted child or a seriously ill child or parent, would be limited to 10 weeks over 2 years. Medical leaves for workers who are themselves ill or disabled would be limited to 15 weeks per year. In addition, employees would not be entitled to the leave until they had worked at a business at least 20 hours per week for at least a year, and employers would be permitted to deny reinstatement to the highest paid 10 percent of their employees.

Working women are also forcing corporations to become involved with child day care. Although 8 million children need day care, there is space for only 2 million children in day-care centers. It is predicted that the number of children needing day care will increase to 10.5 million by 1990.

A positive trend in child care is the involvement of corporations. Recent figures indicate that approximately 3,000 corporations are providing child-care assistance to their employees. The assistance takes a number of forms, including information and referral services, cash grants, vouchers, and onsite child-care centers financed by the corporation.

Corporate involvement in child care can be expected to continue. Corporations are finding that more and more of their employees have dependent children in need of day care, and that workers are more productive when they are not distracted by child-care concerns. A study by Texas Women's University, for instance, revealed that a $50,000 investment in a day-care program can save $3 million in employee turnover, training, and lost work time.

The city of San Francisco has passed a novel ordinance designed to deal with the child care needs of workers. The ordnance requires the builders of downtowns skyscrapers either to provide space for child care or to pay a tax of $1 for each square foot of space in the building. The city will use the revenues generated to construct day-care centers.

Paralleling the tremendous increase of women in the work force has been their influx into the entrepreneurial arena. Woman-owned businesses are spreading into all areas of the economy at a rapid rate, although the heaviest concentrations are in the service areas. The procurement awards that have been made to woman-owned businesses attest to the diversity of these businesses and the relevance of these businesses to Government needs--operation of Government facilities, management and professional services, training, construction, and provision of such goods as ammunition and explosives, vehicular equipment components, furniture, and communications equipment.

In 1981, to delineate more accurately the characteristics of women-owned businesses, the National Association of Women Business Owners funded an original research project aimed at identifying the nation's leading women entrepreneurs. The research, conducted over a 9-month period, pinpointed more than 1,700 women in the United States who are running companies that gross more than $1 million annually. These women not only own major businesses but are also actively controlling them. These women are engaged in a variety of traditional and nontraditional businesses, including venture capital, construction, manufacturing, oil and gas, and finance.

A more recent study, conducted by NAWBO in 1984, reveals that among the 766 women business owners surveyed in this study 25 percent had gross annual sales of over $800,000, and 75 percent had gross annual sales of over $80,000.

The study also showed that these women business owners:

- Have combined total revenues of more than half of a billion dollars a year.
- Have average annual revenues of $425,000 per company.
- Average 11 full-time employees, with an additional 14 part-time or contract employees.
- Are concentrated in professional services--a section of the economy where most of the nation's jobs are now being created, e.g., as consultants, accountants, and lawyers--and in communications, distribution, and financial services.
- Include manufacturers, contractors, truckers, airport and train operators, robotic experts, and other nontraditional women's occupations.

The Committee of 200, a national group of top woman-owned businesses, created as an outgrowth of a NAWBO project to identify successful women business owners, provides another sample of such businesses. Membership in the Committee of 200 requires a woman to own and have active control over a business with annual sales in excess of $5 million dollars.

These businesses include general contracting, heavy construction, electronics distribution, industrial tool distribution, industrial chemical distribution, steel contracting, mapping and natural resource information, analytical chemical laboratories, petroleum refining, oil drilling supplies, metal fabrication, manufacture of products such as chemicals, institutional health care products, laboratory supplies, and plumbing and lighting fixtures, and such high-tech businesses as telecommunications and computers.

In the 10 year period between 1972 and 1982, the number of businesses owned by women jumped from less than 5 percent to over 25 percent. Today, there are an estimated 3.7 million businesses owned by women in the country compared to 1.9 million in 1977. Currently, women are going into business at a rate two times faster then men and are thus the fastest growing segment of the entrepreneurial community. In addition, since the vast majority of these new female entrepreneurs enter service businesses, their role will grow in importance as the country continues to shift away from a manufacturing-oriented economic base to one where service industries play an increasingly important role.

Already, the indicators of this change are significant. It was a women business owners' trade association (the National Association of Women Business Owners) which spearheaded the U.S. Department of Commerce's first service-oriented trade mission to Europe, and women played a major role in the deliberations of the 1986 White House Conference on Small Business where they made up 36 percent of the delegates, compared to only 12 percent in 1980.

Of equal importance, is the economic impact of women-owned businesses. Gross receipts from women-owned businesses approximated $100 billion a year according to the 1982 U.S. Census study of women business owners. However, the total economic impact of these businesses far exceeds this level if one takes into account the multiplier effect of these dollars as they turn over in the economy.

Using a conservative estimate that each dollar will be multiplied 2.5 times in the local economy, women-owned businesses contribute $250 billion to the national economy. Of this $250 billion, approximately $37 billion is paid to the U.S. Treasury in federal taxes, and another $13 billion is paid in local and state taxes. Consequently, women business owners represent a vital new resource for the economic future of the country.

Women, as business owners and as employees, are having more than just an economic impact on society. Women are "neurologically more flexible than men," says Eli Ginzberg, "and they have had cultural permission to be more intuitive, sensitive, feeling. Their natural milieu has been complexity, change, nuturance, affiliation, a more fluid sense of time." As women's attributes of feminine cultural are brought into the workplace, they are providing a much-needed balance to what has been a predominantly male environment, and slowly but steadily they are eroding some of the obsolete practices and prejudices that have dehumanized work and the work environment.

Business and industry are, in fact, beginning to give serious attention to the development of a more humanistic working environment. As the U.S. economy shifts away from smokestack production towards a greater emphasis on services and high technology, business analysts are calling for a more participative, people-orientated approach to managing. Many companies are adopting radically new management philosophies, style, and structures. The predominantly hierarchical authoritarian management style is sifting to a more consultutive one in which the actors within the enterprise have real opportunities to have input on decisions. As John Naisbitt has noted, "mammoth centralized institutions whose very existence have relied upon hierarchies are being replaced by smaller, decentralized units, linked informally with each other instead of being clumped together."

Alvin Toffler in The Third Wave, speaks of major changes to come in corporate structure. Future management must be able to "operate as capably as open-door, free-flow style as in a hierarchical mode...work in organizations structured like an Egyptian pyramid as well as those that look like a Calder mobile, with a few thin managerial strands holding a complex set of nearly autonomous modules that move in response to the gentlest breeze."

Moreover, Michael Piore in The Second Industrial Divide projects an economic system in which, "an imposing but ultimately dangerously unstable structure of vast rigid beams and girders has been replaced by a honeycomb of flexible production cells, not only giving resilience to the domestic economy but facilitating its adjustment to a stronger, more stable international order...In the more communal arrangements of work that become possible under flexible specialization, new social relationships will arise, reducing the gulf between boss and worker, encouraging the introduction of machinery that magnifies rather than dwarfs the creativity of its user."

In the services and information era, the challenge is to build an operating environment which encourages freedom, ferment, aggressiveness, and innovation. One that offers opportunity for great personal satisfaction and that provides respect for all, regardless of job level. There are several ways to do this. One is to push responsibility down through the organization. To give people closest to the market or the product more say in what goes on. Another way to create this innovative environment is to break down some of the rigid organizational lines that have been established.

Subsequently, today's managers are being trained to encourage common goals, employee participation and cooperation. Furthermore, these new managers are expected to exhibit qualities of sensitivity and compassion, and treat employees as valuable organizational resources, rather than replaceable commodities.

Women are exceptionally well qualified to manage in the information and service economy. Women favor cooperation over competition. They prefer to work in team structures where power and influence are shared more across the group, as opposed to a hierarchy where power is concentrated at the top. Women managers also tend to place strong emphasis on developing positive relationships with co-workers. Furthermore, they try to relate to employees in a more personal way than often is the case in the traditional male style.

Naturally, these qualities aren't ones that are observed equally in all women -- nor are they absent in all men. The key distinction is that, as a group, women tend to exhibit these particular leadership qualities to a far greater degree than men. The reason for this is rooted in the basic facts of socialization.

The post-World War II era has seen sweeping demographic changes in the work force. Women, as business owners and employees, have become new players in the nation's industrial fabric. Furthermore, since the vast majority of these new female entrepreneurs enter service businesses, their role will continue to grow in importance as the country continues to shift away from a manaufacturing-oriented economic base to one where service industries play an increasingly important role.

If the United States is to meet the challenge of the changing work force and survive and succeed in today's fiercely competitive economic climate, policymakers and corporate America must shed outworn management structures and practices and make fresh use of both people and technology. As Richard C. Gerstenberg, former G.M. Chairman stated, "The business that fails in the years ahead will be the one that fails to understand how it is related to the society around it." One might also add that the business will also fail if it does not organize itself internally to make best use of its human resources.

WOMEN-OWNED BUSINESSES IN FEDERAL PROCUREMENTS

The Federal Government is the largest purchaser of goods and services in the United states, representing over $200 billion in purchases annually. Even though women are playing an increasingly important role in the economy of the United States through the ownership of businesses, they receive only six-tenths of 1 percent of all government purchases over $10,000.

The procurement awards that have been made to women-owned businesses attest to the diversity of these businesses and the relevance of these businesses to Government needs--operation of Government facilities, management and professional services, training, construction, and provision of such goods as ammunition and explosives, vehicular equipment components, furniture, and communications equipment. Women own 25 percent of all small businesses in the United States, and with women going into business at a faster rate than men, this disproportionate share of procurement dollars is especially distressing.

The limited access of woman-owned businesses to Federal procurements represents a loss of excellent resources to the Government and a severe impediment to the viability of the female entrepreneur and business owner. It is in the best interest of the nation's economy to support women business owners as an evolving entrepreneurial sector. Federal policy must create a climate that supports women-owned businesses.

An analysis of this situation, however, reveals that discrimination and the absence of strong federal initiates to establish a greater commitment to women-owned businesses are at the heart of the problem. Consider the following example: A Washington Star article (September 1980) reported that Karen Haste Williams, then administrator of the Office of Federal Procurement Policy, was told by the head of procurement at the Department of Defense that doing business with a women-owned business was, essentially, a threat to the nation's security. Robert Trimble, then acting deputy undersecretary for acquisition policy and author of the letter, wrote, "providing for the country's defense is our primary mission...As indicated above, I have reached the conclusion that the continued imposition of social programs on the procurement process is adversely affecting our ability to fulfill this objective." "Never mind," the Star reported, "that a good 30 percent of Defense's multi-billion dollar procurement budget goes for such things as uniforms, food, laundry and dry-cleaning equipment, liquor, draperies, musical instruments, textiles, signs and advertising displays, toiletry articles, catering services and the like."

For over 10 years, the Federal Government has verbally encouraged full participation of woman-owned businesses in the procurement process. For the most part, however, this encouragement has remained at the level of lip service, because the spirit and mechanisms to implement this policy have been lacking. No preferential contracting programs have been established for woman-owned businesses, and all initiatives to date have been largely ineffective, with the result that the Federal Government has been essentially a closed market to woman-owned businesses.

Newly established woman-owned firms encounter many barriers when competing for Federal procurements. As with any new business, these firms are unfamiliar with the procurement process and how to work within it, lack effective contacts in agencies, and do not have a track record to facilitate favorable contract award decisions. Moreover, woman-owned businesses often do not possess the financial stability to withstand the extended procurement award cycle (often 12 to 18 months), and, once a contract is awarded, must cope with the cash flow implications of doing business within a system where payment often lags significantly behind incurring costs to provide goods and services. Further, financing costs are not recoverable under Government procurement regulations.

No special set-aside programs exist specifically for woman-owned businesses that would enable these businesses to get their "foot in the door." One study, reported in the Small Business Administration's Selected Abstracts of Completed Research Studies reported that procurement personnel resist set-asides to small businesses because of a general belief that "social objectives should not be achieved through the procurement process." Yet, experts say that women who operate businesses which are eligible for government contracts are prevented from obtaining the contracts by the general attitude of agency personnel, and that "arbitrariness" is often involved in the granting of government contracts. Several small businesses who were interviewed revealed that "the most important factor limiting bidding on contracts was that some organizations have an inside track," a track women obviously do not have.

Available information on how to sell to the Government is often overwhelming to the uninitiated. Further, the information available gives little insight into the realities to the Federal procurement process, namely how to develop technical and cost strategies, where to find background necessary to prepare a bid or proposal, and how to negotiate contract terms.

In addition to these problems faced by businesses entering the Federal procurement market, woman-owned businesses face sociological barriers in the form of persistent misconceptions and biases. These barriers have been verified time and time again by studies examining the role of woman-owned businesses in Government procurement. For example, the 1975 report of the U.S. Civil Rights Commission on "Minorities and Women as Government Contractors" states: "Woman-owned businesses are hampered in the procurement process by the unavailability of information and biases built into the procurement system." Hearings before the Senate Select Committee on Small Business in February 1976 created an official record of the discrimination encountered by women business owners under the prevailing credit and procurement systems. In 1978, the President's Interagency Task Force on Women Business Owners reported "women-owned businesses receive a very small share of the federal procurement dollar and may be experiencing discrimination in their efforts to do business with the Government." In a National Association of Women Business Owners (NAWBO) survey, members reported numerous examples of bias and sex-based discrimination that they have experienced as women business owners from Government program and contracting officials. Examples reported by NAWBO members include:

- Contracting officials have labeled women as emotional during contract negotiation when the women have been tough negotiators and have dismissed their contracting concerns as "just another complaint, not to be taken seriously." Some NAWBO members have found the problem sufficiently serious to hire men to handle their company's contract negotiations.

- Technical review committees questioning the ability of a women to do the job.

- Program and contracting staff questioning the ability of a woman to manage money and handle numbers.

- Women in nontraditional occupations being questioned as to the appropriateness of their position and their ability to do a "men's job."

Despite these subtle biases and open forms of discrimination that woman-owned businesses face, there are successful woman business owners in America. For instance, in 1979 a Maryland NAWBO member started a biomedical research planning company. Despite a lagging economy, in its first 10 months of operations, the company racked up $1.25 million in revenues from federal contracts and increased its numbers of employees from 15 to 45. This was accomplished by submitting 13 proposals for government consideration and winning every contract. Today, the company is one of the fastest growing health communications and biomedical research firms in the United States, offering integrated multidisciplinary health sciences support in biochemistry, behavioral psychology, chemistry, and biology, to name a few areas, with on-staff Ph.Ds, scientists, nurses, and experts in health education and public health. The company employs over 150 staff and has projected sales of $7 million for 1988.

One way a small, woman-owned business could gain experience in Federal contracting would be to subcontract with a large business. Subcontracting with larger, more experienced firms could facilitate efforts by these entry-level woman-owned businesses in overcoming some of the barriers and in developing the track record and contracts necessary for success in the procurement process. However, procurement plans required by Public Law 95-507 for utilizing small and minority-owned businesses as subcontractors are not legally required to utilize woman-owned businesses. The only procurement requirement for prime contractors to develop plans utilizing woman-owned businesses is contained in the Federal Acquisition Regulations, which requires prime contractors to develop plans for subcontracting with woman-owned firms.

Even when agency-set goals for awards to woman-owned businesses are established, Government officials lack the tools [redacted]nt the policies.[5] With the exception of the 8(a) program through which some "socially and economically disadvantaged" woman-owned businesses may participate, there are no procurement mechanisms in place to directly increase the number of awards made to woman-owned businesses.[6] Further, there are no incentives or accountability for contracting officers to take actions to meet agency goals for contracting with woman-owned businesses.

NAWBO is committed to facilitate the movement of women business owners into the mainstream of the Federal procurement market. NAWBO, in conjunction with the U.S. Department of Commerce, sponsored MEGAMARKETPLACE I and II. MEGAMARKETPLACE gave women business owners an opportunity to meet with procurement officials from federal, state, and local governments, as well as with prime contractors. This opportunity increased the visability of women-owned companies among federal, state, local, and private contractors.

NAWBO also used the 1986 White House Conference on Small Business as a vehicle to get the issue of procurement in the forefront of public policy debate. As a follow-up to the conference, NAWBO is working with numerous trade associations, including the Professional Services Council, National Small Business United, the U.S. Chamber of Commerce, the Small Business Legislative Council, and the National Federation of Independent Business to implement the procurement recommendations that emerged from the Conference.

The barriers that now exist for women business owners and potential entrepreneurs will not be eliminated overnight. Probably the most important statement that could be articulated is one that Margaret Heckler, former Secretary of Health and Human Services, made when she testified at hearings on the status of women's business enterprises in 1980: "The burden falls equally on both the public and private sector, but...nothing will happen in the private sector unless the government takes the lead.

As the Washington Star articles mentioned above stated, "The bright glow which surrounded the Carter administration's much-heralded women-in-business program has long since faded." It is telling that most of the problems outlined in that administration's report, The Bottom Line: Unequal Enterprise in America, released in June 1977 remain.

However, the recent federal, congressional and political party interest in women entrepreneurs is encouraging. This activity by the parties indicates that Washington policymakers are finally becoming aware of the enormous contribution of women-owned businesses to long-term economic growth, particularly to job creation.

ACCESS TO COMMERCIAL CREDIT

Access to credit as a means of obtaining necessary financing for start-up costs and business growth has been reported as a major problem faced by small businesses throughout the United States. The inability to obtain commercial credit is especially problematic for young businesses which have not established a financial track record and have not accumulated sufficient assets to qualify for the business financing they need under traditional bank evaluation procedures. Businesses in the service sector, no matter how promising, often face particular difficulty in obtaining commercial credit because usually they possess few tangible assets to which a bank could look for collateral.

Women are starting their own businesses at a rate two times greater than men, and are therefore the fastest growing segment within the small business community.[1] Women-owned businesses are overwhelmingly in the service sector of the economy. Accordingly, the difficulty of obtaining credit for a small, service-oriented business has a disproportionate impact upon women.

In addition, systemic discrimination places the average American woman at a disadvantage in competing for capital for her enterprise. A woman's traditional position in the work force has limited not only her management experience, but also her income and the amount of collateral she has been able to amass. The problem is even more serious for minority and divorced women.

Moreover, co-mingled family funds, weak credit histories, and limited experience in the male business community all impact on a woman's ability to compete equally in raising capital. It is these five "C's of credit" (collateral, capacity to pay back, character, credit, credit experience, and communications of capital needs) which are used to judge loan applicants.

Even if de facto sex discrimination did not exist (and most women business owners maintain that it does), the average American woman comes to the financial negotiating table with a weaker hand than her male counterpart. Not only have her earnings been substantially less than men, but she has less experience in the financial system.

The severity of this problem and its impact on business growth has been illustrated by two recent studies: one of Michigan business women, and the other of women business owners in Philadelphia.

The Michigan study surveyed 3,500 women and received responses from 17% (621). This survey showed that while 69% of these women business owners had approached banks and lending institutions, only 14% of the capital used to start their enterprises had come from lenders, with over 70% coming from savings and earnings, and another 15% from friends, relatives and private investors.

This self-reliance on their own earning and savings, despite the traditionally low earning power of women in the work force, resulted in 80% of the businesses being capitalized at under $20,000. Only 5% of the women in the survey started their businesses with more than $75,000.

Most important, over half (52%) of these Michigan business owners were operating without a bank loan of any kind. Yet, these were not new businesses. Only 8% of the survey respondents had been in business for less than two years. Sixty four percent had been in existence for at least five years, with 32% of these being over ten years old. In terms of size, 41% of the respondents indicated that their businesses grossed over $100,000 a year, and 54% employed over four full-time and part-time employees, in addition to themselves. Almost one fourth (23%) employed over ten such employees.

These Michigan businesses were not part-time ventures or home-based enterprises with no plans for expansion. The survey showed that 86% of the respondents operated full-time ventures and that 80% leased or owned space. Most important, from an economic development perspective, was the fact that almost half (47%) were considering expanding in 1987.

The information learned from questions regarding collateral in the Michigan study highlight the problems women have in accessing traditional sources of capital, particularly in states where the banking institutions are heavily oriented to asset-based lending. Of the 48% who had bank loans, the business owner's plant and equipment was the frequently mentioned (47%) source of collateral, followed by there house or car (31%), and business-owned receivables (30%). In terms of the level of collateral required, the majority (75%) indicated that the collateral required was equal to or greater than the amount of the loan, with thirty-six percent indicating collateral requirements greater than the loan amount.

Of those, 42% indicated that the collateral was higher than 200% of the loan amount. Fifteen percent indicated having to collateralize their loans at a level that was greater than 500% of the amount of the loan.[2]

A recent Philadelphia survey of 650 women business owners, to which 150 responded, sheds additional light on the degree to which women are bootstrapping themselves into the market place. The women in this survey represented more recent business owners with 50% in operation for less than four years. It illustrates, however, the level at which women are outside of the traditional capital markets.

The initial start-up costs for 57% of the respondents were less than $5,000. While this low level of capital may be due to the many professional services and home-based businesses in the sample, other studies confirm the phenomenon that **women tend to start businesses with smaller amounts of capital than men**, regardless of professional and/or home-based status. **This initial use of small amounts of start-up capital may inhibit the ability of these women to take advantage of expansion opportunities as they become available.**

Most of the Philadelphia women, regardless of business type, received a significant amount of their start-up support from personal sources. Very few women received start-up money from secondary sources (business colleagues, inheritance, stock/bond sales, or a second mortgage) or institutional sources (banks, government agencies, or personal finance companies). Those percentages were 11% and 14%, respectively.

Most importantly, a significant percentage (64%) of women did not seek information about securing a bank start-up loan. In other words, they opted out of the process without exploring the possibility of securing outside financing. Their reasons included thinking that they could not get a loan, not knowing the procedure to follow, and having enough money from other sources.

In addition, those Philadelphia women who were married had a better incidence of getting expansion loans (since their husbands could co-sign), then those who were unmarried.[3]

These current studies echo earlier findings. In June, 1983, President Reagan established an Advisory Committee on Women's Business Ownership. The Advisory Committee conduced a written survey of women business owners and convened five public hearings in various areas of the country. One of the Committee's key findings was that "there are, unequivocally, barriers unique to women business owners today which place them at a serious disadvantage." The Committee contributed women business owners' problems with access to commercial credit to:

- A "hobby mindset" of some lenders which leads them to believe a woman's business is truly an avocation, and not a serious business enterprise.

- Women are not always aware of their rights under the equal access to credit laws. There are inconsistent enforcement of lending laws.

- Women may not be aware of the likeliest source of capital or of how to make the most effective loan presentation and financial projections.

- Often service industries find it hard to obtain financing because it is difficult to collateralize staff and services.

- Women are not always as aggressive as men in seeking alternative financing when denied credit by a bank. Men demand explanations and keep searching for a source that will fund them.

- The "experience factor may be missing." Women may know their area of expertise but may lack business/management skills.

Unfortunately, the public sector has done very little to overcome these barriers.

In The Annual Report to the President (June 1980), the Interagency Committee on Women's Business Enterprise stated, "The most formidable barrier to women's efforts to establish businesses of their own continues to be lack of access to traditional source of credit and capital. Banks have been slow to perceive women as a profitable target market. Because of their low income status relative to men, credit worthiness is often difficult for women to establish when standard measures such as collateral and income form the basis for judging. The very small size of many women's enterprises both in receipts as well as number of employees hinders their ability to focus on expansion."

Realizing these problems, the Small Business Administration initiated a mini-loan program exclusively for women entrepreneurs in late 1979. The SBA program, designed to assist women whose capital needs for starting or expanding a business were $20,000 or less, received 150,000 requests for mini-loan information almost immediately. During the first six months of FY 1980, the SBA approved almost 900 loans for 13.9 million--with roughly half granted to existing women-owned businesses and half to new businesses.

Unfortunately, this successful program was discontinued in the early years of the Reagan Administration. Women-owned businesses and women entrepreneurs must once again compete with larger, well-established and usually male-owned business for credit from conservative lending institutions.

The 1978 Presidential Interagency Task Force on Women Business Owners found that women seeking capital from financial institutions have faced problems "over and above those normally faced by any new or small business person" and have encountered "subtle discrimination." It based these findings in part on an American Management Association survey in which a majority of women believed that inability to obtain adequate financing is a significant and special problem for women business owners. Many women, according to the study, found obstacles disappearing and borrowing becoming suddenly possible when they approached the banking environment with support or assistance from their spouse, family members, or male friends.

The Equal Credit Opportunity Act of 1974 (ECOA) should have eradicated barriers that have adversely affected the ability of women-owned businesses to secure business credit, but unfortunately it did not. Although the Act requires financial credit institutions to make credit available equally to all credit-worthy customers without regard to sex or martial status, many of its provisions have been interpreted not to apply to business transactions.

The Equal Credit Opportunity Act prohibits discrimination in lending on the basis of race, color, national origin, sex, martial status, age, the receipt of public assistance or the exercise of rights under the Consumer Credit Protection Act. It applies to both consumer and commercial credit.

In implementing the ECOA, the Federal Reserve Board adopted Regulation B, specifying various anti-discrimination safeguards applicable to all types of credit transactions. Ordinarily, creditors must (1) furnish credit applicants with written notice where credit is denied or other adverse action is taken, and provide either a statement of specific reasons for the action taken or inform applicants of their right to request such a statement; and (2) automatically retain records of the credit application and evaluation for 25 months. Regulation B also prohibits a creditor from requesting information on the marital status of the applicant.

However, the Federal Reserve Board also included in Regulation B a so-called "business credit exemption" which removes the safeguards described above in the context of commercial credit transactions, despite the apparent intention of the ECOA that its safeguards apply to all credit transactions. **Thus, the so-called "business credit exemption" in Regulation B has the effect of shifting the burden of ensuring non-discrimination from banks to some of the people the ECOA was enacted to protect** -- women and minority business owners. Consequently, with respect to commercial credit applicants, creditors may inquire into the borrower's martail status, need not supply any notification of reasons for adverse actions unless requested by the borrower within 30 days of notice of denial, and need not retain credit files for 25 months unless specifically requested to do so in writing by the applicant within 90 days of the adverse action. Most importantly, creditors are not required to notify commercial credit applicants that they have the right to request both a written statement of reasons for action taken and the retention of their credit files.

These exemptions from the otherwise applicable provisions of Regulation B permit sex-based discrimination against women business owners and appear contrary to congressional intent. Commenting on the Board's power to grant exemptions from the Act, the Senate Committee on Banking, Housing, and Urban Affairs wrote:

> The Board would have to make an express finding that there was no evidence or likelihood of discrimination in that class of transactions, nor would the potential for discrimination be greater if the Board were to exempt that class of transactions from compliance with one or more provisions of the Act...The committee intends to indicate to the Board that it should not grant broad exemptions.

Similar language appears in the Conference Report on the 1976 Amendments to the Act (Conference Report S.685, 94th Cong. 2nd Sess.9 (1976)).

As reasons for adopting the business credit exemption, the Federal Reserve Board stated that the business loan application process was more extensive than that of consumer loans, and that borrowers would learn the reasons for denial of their application during negotiations and exchanges in the application process. Moreover, the Board stated that commercial borrowers are more sophisticated and don't need extensive explanations. The Board also stated that creditors would learn of the marital status of borrowors anyway when negotiating the loan application, thereby alleviating the need for a prohibition of marital status inquiries. Finally, the Board said that the cost of retaining voluminous business records was significant and the Board was unwilling to impose this cost on banks.

As the courts have recognized in the employment context, discrimination is often subtle and hard to detect and prove. Exempting business credit transactions from the requirements of the Act hampers the ability of enforcement agencies and women entrepreneurs to detect illegal discrimination, eliminates incentives for financial institutions to monitor their own practices, and makes it impossible for public policymakers to know whether they need to address discriminatory practices or other types of barriers to full access to credit. The rapid growth of women-owned businesses, and the evidence that their problems with financing continue, make action on this issue vitally important.

To ensure that applicants for business credit receive the protections intended by the Equal Credit Opportunity Act, Representatives John LaFalce and Lindy Boggs in April 1987 introduced H.R. 1987. This bill permits the exemption of business loans from the broad scope of the ECOA and Regulation B only if the Board holds a formal hearing and finds that the application of the ECOA or particular provisions thereunder to particular classes of business transactions is not necessary to promote equal credit opportunities.

1 Report of the President's Advisory Committee on Women's Business Ownership.

2 Source: Michigan Women-Owned Business Survey by Michigan Woman Magazine and Touche Ross, April, 1987.

3 The Hub Program For Women's Enterprise. A survey of Philadelphia Women's Business Owners, by Dr. Amy Lyman, Warton Center for Applied Research, University of Pennsylvania, April, 28, 1987.

PREPARED STATEMENT
TO THE 100TH CONGRESS
COMMITTEE ON SMALL BUSINESS

APRIL 26, 1988

by MARY H. FARRAR
PRESIDENT
SYSTEMS ERECTORS, INC.
651 NORTH SOMERSET TERRACE
OLATHE, KANSAS 66062
(913) 782-7144

STATEMENT OF MARY FARRAR
April 26, 1988

Good morning Mr. Chairman and members of the committee. It is both an honor and a pleasure to be here today.

My name is Mary Farrar. I am the owner of Systems Erectors, Inc., in Kansas City. I just finished my second term as national chairman of my trade association, the Independent Erector Division of the Systems Builders Association and also as an excutive committee member of the Systems Builders. (I am the only women to have ever held office in the association.) I am a founding member of the Committee of 200. I'm married, have five adult children and we are expecting grandchild nine and ten this year. I am the oldest of six children, I grew up in Kansas City, the product of a very middle working class family. My father was a conductor for the Santa Fe railroad and my mother was a school teacher who didn't earn her degree until middle age (all my children attended her college graduation). I married six months after high school and except for a clerical job before we had children and some part time (evenings when my husband was home with the children) work for a neighborhood tax accountant, I was a homemaker until 1972.

In September of 1972, with visions of college expenses for five children looming before my eyes, I went to work for a construction company that was in its infancy. I was there in time to prepare the second weekly payroll. The company did both general construction and steel erection. The company grew and I gained knowledge in all phases of the operation. I learned to estimate and bid work. I learned field management and scheduling. But my main job description was still office manager and in that position I had full responsibility for the financial management of the company. One of the most important lessons I learned during my six years with the company was that my boss would teach me anything I was willing to take time and effort to learn and then he could spend more and more time away from the business. Because of my total involvement, I hoped to eventually become a part owner of the company. After being refused the right to buy into the company, I left in 1978 to launch my own company.

I had no formal training in either business or construction. But I did have six years of on-the-job training, the magnificent sum of $500.00, lots of energy and determination, the support of my husband, Jim and most importantly a contract to build three warehouse building from a local general contractor.

Systems Erectors, Inc. provides labor and equipment to erect structural steel, precast concrete and pre-engineered building systems for the low-rise commercial, industrial and warehouse markets. Besides my office manager, Kerry Cox (who is also my youngest daughter) and myself, we have no other employees except union ironworkers and hoisting engineers.

Because I had no money to finance my operation and I knew I didn't have a bankable deal (a woman trying to start a union steel erection company with $500.00 to her name), that first contract became all important. The general contractor agreed to allow me to draw against that contract weekly, whatever amount my payroll and payroll taxes came to. A typical construction contract calls for monthly draws, billed at the end of the month, but usually not paid until fifteen to thirty days later. Thus, you are making payrolls forty five to sixty days before you collect any money. A labor intense company such as mine would need substantial capital just to exist. So I had a real sweetheart of a deal. I made a small profit on that first project which then allowed me to bid more work. We ended up in 1979, our first full year of operation, with billings of over $1,000,000.00. Now, ten years, millions of dollars in billings and millions of square feet of buildings later, I've really learned some lessons.

I didn't know it at the time, but now that I've had several years to learn, there is not much access to commercial credit for a women in business. It became very obvious to me because as Mary Farrar I have always had to fight for expansion capital and I feel if it hadn't been for that my company could be two to three times as big as it is today. We have become well known for quality on-time, on-budget work, but often have had to decline to bid projects because of lack of capital or bonding capabilities.

But during a severe construction downturn in our area in 1981, my brother who is a civil engineer and I started a general construction company, because our respective companies didn't have any work, to make work for ourselves. The first bank I went to, gave me enough money to build a 'spec' office-warehouse building at a time when nothing was happening in Kansas City. We didn't have a prayer of finding a buyer for that building. To this day, I think the only reason I got the money was because I now had a man for a partner.

Banks should be required to publish their loan making policies for commercial loans and also they should not be allowed to deny credit without giving the exact reasons for denial. I have had times when I couldn't even get a bank to look at a deal or my track record. But they always seem to look at who is bringing the deal.

The Federal Government is the largest purchaser of goods and services. I have filled out alot of vendor information forms and attended alot of seminars on "How To Do Business With The Federal Government", yet I have never gotten one contract from them in ten years. The vendor information forms always have a box to check if you are a certified Women Business Enterprise, which would indicate there might be some preferential programs for women in the procurement procedures. But are there? I don't think so. If less than 1% of all government contracts over $10,000.00 go to women-owned businesses, we sure need some help to break into the system. Also the vendor information forms always have places to fill out exactly what your product or service is and define your geographic trade area, yet if I get a request for quotation from some department of the Federal Government, it will be to build a dam in Illinois. Not my line of work or trade area.

If all companies who are qualified to perform the work are not being notified of particular projects in a given area, then good companies may be overlooked in the bidding process. Consequently, the Government may not get the best prices for their purchases. And it certainly doesn't help the small contractor, who often runs a much leaner operation and can price accordingly.

Thanks to my association with the Committee of 200, I've learned that I'm not alone in my frustration. Just as a note of explanation, the Committee of 200 is a national organization of businesswomen who are leaders and risktakers in their industries. Our mission is to:

1. Recognize women for their successful entrepreneurship and business leadership.
2. Encourage active involvement in business, economic, social, political and educational issues.
3. Provide a forum for mutual support and exchange of ideas.
4. Inspire success by serving as role models for women in business.

Almost all women, even those with very large (over 50 million dollar) companies, share the same problems: lack of credibility in the marketplace, lack of access to credit and lack of Federal Government procurement opportunities.

If both the public and private sector could work toward assisting women who have the drive and entrepreneurial spirit, achieve their goals, our economy would benefit all the more. In most cases, small businesses provide more new jobs and pay (as a percentage of income) more taxes than large corporations

In 1978, in the field I chose, I was definitely a trail blazer. But I look back and I don't see any women coming behind me. What is stopping them? What barriers are keeping them from following me? Are they unable to raise the necessary capital? Was I able to do it only because of my initial 'deal'? Are there ways we can help those who just don't happen to be lucky enough to find that first 'deal'?

In conclusion, I would like to remind you that there is nothing special about Mary Farrar. I had no family members to model after, little formal education, no business training, no money, no genius. I did have a whole lot of roadblocks and barriers. If I've been able to do what I've done despite the odds, think what it would mean to the economy if we could remove some of the barriers women are confronted with on a daily basis. I'm certain there are many more Mary Farrars out there.

Thank you for allowing me to testify. I welcome any questions concerning my statement.

TESTIMONY OF LILLIAN H. LINCOLN
HOUSE SMALL BUSINESS COMMITTEE
HEARINGS ON WOMEN'S BUSINESS ISSUES
APRIL 26TH, 1988

Mr. Chairman and members of the Committee, My name is Lillian Lincoln. I am the founder and owner of Centennial One, Inc., a building maintenance service company currently grossing around $8 million in revenue and employing 800 people.

As I testify today, I am strongly reminded of the climate in 1976 when I first entered the business arena. There was talk then of much support and encouragement to women and minorities to start up businesses, to take risks and actively compete on the open market. The political environment was supportive, and I received lots of back-up from friends, business associates and family.

So, in December of 1975 I organized my company. I invested $4,000 of my own dollars, employed a few people and began to go after government contracts.

I had been advised to apply for an 8A approval but when I applied in early 1976 I was turned down. The SBA stated it couldn't provide enough contracts for my business. Undaunted, I reapplied, this time including names, addresses and telephone numbers of agencies who had already indicated a willingness to buy my services. In October of 1976 Centennial One, Inc., won, under the 8A Set-Aside program, its first contract from the U.S. Department of Agriculture in Beltsville, Maryland. The award was for $150,000 and I employed twenty part-time individuals.

I continued to do my own marketing, controlling the growth of my company. We won more government and county contracts in addition to establishing a small core of private clients. The ratio was about 70% public sector to 30% private sector.

As my company grew I needed, of course, greater access to capital. I did not turn to the SBA for loans because I had a unique relationship with a local bank president who had previously been my personal banker and who believed in me. I have no doubt that it is because of my personal relationship with this individual that I never experienced any problem with credit. In 1976, using accounts receivable as collateral, I was given a $12,000 line of credit. Today, we have a half-million dollar line of credit and unlimited bonding capacity.

My personal story is an unusual one when it comes to credit. I am aware that for many women access to capital is one of the major obstacles.

In 1982 I was given a fixed number of years in the 8A program under the new guidelines. I asked for, but was denied a one-year extension. In 1985 I was notified of immediate graduation from the Program. At the time of graduation I had about $5 million dollars in contracts under 8A and about $2 million in contracts from the private sector. Clearly my business was in danger of not surviving the graduation. Between January and March, 1986 Centennial One, Inc. did lose about $5 million in sales and the company would have gone bankrupt if a strong marketing program had not been previously implemented.

Others with less foresight than I have seen their companies collapse upon graduation from the 8A program. Clearly there is need for improvement in the procedure for supporting small business during this critical transition period. Many women owned and minority businesses are unable to persevere through such financial hardship, which makes government contracting an extremely difficult market in which to build and grow their businesses.

My company pulled through, prevailed and through aggressive marketing reversed its client base to about 90% private sector and 10% public sector.

It was when I hired my first upper management white salesman that I was confronted with the realities of sex and race discrimination in the marketplace. Clients were subtle in dealing directly with me but through him it became obvious that people were dubious about doing business with a black female.

Now, with twelve years and a fine track record behind me, I am taken seriously, but it wasn't always so. Credibility continues to be an issue with women in business. Clients, suppliers, and financial backers are slow to believe in a business plan if it is submitted by a woman. She still has to prove herself and pass a more difficult test than her male counterpart. I, for example, am loaded with credentials: I hold a Bachelors Degree from Howard University in Business Administration and I was the first black woman to receive an MBA from the Harvard Graduate School of Business in 1969. In 1981, based on a recommendation by my former employer, I was selected Small Business Person of the Year in Maryland. I truly value that award.

In closing Mr. Chairman and members of the Committee, I would like to thank you for inviting me to testify today. I hope that my story will help support legislation to assure adequate and fair credit for women and open up avenues of increased procurement for female entrepreneurs. I particularly would urge you to do all that you can to make the odds better for successful women-owned businesses.

STATEMENT OF KATHRYN KEELEY

The Women's Economic Development Corporation is a 4 1/2 year old non-profit that was started to help women achieve economic self-sufficiency through the start-up and operation of a successful small business. WEDCO targets unemployed and underemployed women who have a business idea that could produce sufficient income to support themselves and their families. Our work is primarily within the Twin Cities Area with some work in rural parts of Minnesota. During the last 4 1/2 years WEDCO has assisted over 3,500 women, approximately 1/2 of those women were convinced that their business idea was not economically feasible and they chose not to pursue their business. WEDCO assisted 650 businesses to start and expanded another 380 businesses with 92% still in business 3 years later. The remainder of the clients were existing business that were experiencing some difficulty and WEDCO assisted in problem solving and stabilizing or closing the business.

WEDCO operates a 1.2 million dollar loan fund that finances women owned businesses. The organization also maintains a strong working relationship with a number of local financial institutions. WEDCO has an ongoing working relationship with the First Banks in Minnesota which agreed to provide loans at market rates but negotiate collateral and equity.

WEDCO uses its loan fund as last resort financing for those individuals who do not have the credit history, collateral or appropriate business idea for bank financing. Our applicants must have been denied by a bank and exhausted all other possibilities of financing before WEDCO will review the application. We further require that the individual work with our organization to produce a business plan, cash flow projections for two years and agree to ongoing technical assistance during the term of the loan. WEDCO forms a working relationship with the applicant which in fact becomes our collateral over the life of the loan.

Over the last four years, WEDCO has made over 110 direct loans to women owned businesses. WEDCO averages three new clients every day of the year. These women are starting a business for primarily economic reasons. Over 60% of the women we have assisted are single head of household. These women have family incomes below $15,000 and are interested in achieving the economic means to support their families. Most women have developed their product or service to the point it would be considered a skill and need assistance with the business.

Women face significant barriers in starting a business. The most difficult is obtaining capital. At every point in the spectrum from debt to equity women face an impossible task. Most women do not possess the personal assets to qualify for bank loans. They are not part of the equity network for investments and few have family and friends to invest dollars in their business. Remember only 6% of the employed women in this country make more than $25,000. The majority of us are employed in low paying occupations that provide few opportunities to accumulate capital and save dollars to invest in businesses.

Women who want to expand a business experience the difficult challenge of raising private equity capital. We are not part of the networks and again women's networks do not lead to this type of investment.

Finally, women are stereotyped as part-time business owners who are starting a business for "fun". Women are viewed as starting "cute boutiques" that will entertain us. Frankly, this is far from the truth. Our statistics indicate quite the opposite. Women are starting businesses for economic reasons and need to be treated as business owners.

WEDCO has a successful track record for a number of reasons. We do not believe that you can put an entrepreneur in a classroom and teach them for 16 weeks and expect them to be a business owner. We believe that a hands-on, experiential, task oriented planning process is needed for each individual to assess the economic viability of their idea. We are as strong about preventing failures as we are about encouraging success. We utilize self-screening which puts the responsibility on the business owner to pursue their idea. WEDCO does not believe in picking the winners and losers in the market place but rather giving the information tools and a homework process to the woman for her to make her own decision. We are looking for women who have a passion, skill and expertise, good problem solving skills and the willingness to follow through. We think these ingredients make a successful business owner and have designed a process that allows these skills and attributes to surface.

WEDCO represents a model for women's economic development programs that combines technical assistance, individual consulting and financing. We sit on both sides of the table in that we work with the individual from the idea stage to the planning stage to the financing and operation of the business. We provide ongoing assistance throughout the life of the loan and not just during the initial start-up stages.

WEDCO's funding is from private sources such as foundations and corporations with an annual budget of approximately $600,000. We must raise this each year in new contributions and grants. As of yet, government has been unresponsive in funding organizations such as WEDCO. We do not neatly fit into categories of human services, economic development or jobs and training. We combine all three and thus overlap several different organizational programs within state and local government.

WEDCO is a model that works, having an important impact particularly with low income women in providing them opportunities and choices. We are building new role models and seeding the economy with new experiences. We believe our outcomes are multiple and need to be evaluated from the perspective of the long haul. The country is hungry for quick fix models to end poverty, create jobs and successful businesses and transform welfare recipients into tax payers. There are no quick fixes to solving poverty. Creating jobs and economic change requires time as much as money. We must use a longer time frame and provide opportunities to the economically disadvantaged. They will then be better able to pursue their own ideas and develop their own opportunities.

Thank you.

STATEMENT OF THE HONORABLE JOSEPH M. MCDADE,
RANKING MINORITY MEMBER, COMMITTEE ON SMALL BUSINESS
HEARING ON WOMEN IN BUSINESS
APRIL 27, 1988

MR. CHAIRMAN, I WANT TO COMMEND YOU FOR HOLDING THIS SERIES OF HEARINGS TO EXPLORE ONE OF AMERICA'S GREATEST ASSETS: WOMEN IN BUSINESS. SINCE WORLD WAR II, EVER INCREASING NUMBERS OF WOMEN HAVE JOINED THE WORK FORCE. THAT TREND HAS CONTINUED IN RECENT YEARS WHILE A NEW TREND HAS EMERGED AS WOMEN HAVE BECOME ENTREPRENEURS AND BUSINESS OWNERS. MR. CHAIRMAN, THESE HEARINGS WILL NOT ONLY GIVE GREATER RECOGNITION TO THE IMPORTANT ROLE WOMEN HAVE IN OUR ECONOMY, BUT THEY WILL ALSO FOCUS ATTENTION ON SOME OF THE PROBLEMS THAT CONFRONT THEM. I LOOK FORWARD TO THE TESTIMONY WE WILL HAVE THE PLEASURE TO HEAR.

PATRICIA SCHROEDER
1st District Denver Colorado

Washington Office
2208 Rayburn House Office Building
Washington DC 20515
(202) 225-4431

District Office
1600 Emerson Street
Denver CO 80218
(303) 866-1230

Congress of the United States
House of Representatives
Washington, DC 20515

ARMED SERVICES COMMITTEE
POST OFFICE AND CIVIL
SERVICE COMMITTEE
JUDICIARY COMMITTEE
SELECT COMMITTEE ON
CHILDREN, YOUTH, AND
FAMILIES
CONGRESSIONAL CAUCUS FOR
WOMEN'S ISSUES, CO-CHAIR

Aril 26, 1988

The Honorable John J. LaFalce
Chairman
Committee on Small Business
2361 Rayburn

Dear John:

I commend you for the hearings you are holding to look at the role of women-owned business enterprises in our economy.

I am particularly interested in your hearing tomorrow to look at government procurement from women-owned business enterprises. I appreciate your invitation to testify, but unfortunately have prior commitments I am unable to change. I hope you will accpet my written statement for the record.

Sincerely,

Pat

Patricia Schroeder
Congresswoman

PS/mm

PATRICIA SCHROEDER
1ST DISTRICT DENVER COLORADO

WASHINGTON OFFICE
2208 RAYBURN HOUSE OFFICE BUILDING
WASHINGTON DC 20515
(202) 225-4431

DISTRICT OFFICE
1600 EMERSON STREET
DENVER CO 80218
(303) 866-1230

Congress of the United States
House of Representatives
Washington, DC 20515

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Statement of
Representative Patricia Schroeder
to the
House Committee on Small Business

April 27, 1988

Mr. Chairman, thank you for this opportunity to submit testimony to the committee as it considers the status and role of women business enterprises in our economy.

Today, as you look at the role of women business enterprises in government procurement, it is important to note that while women-owned enterprises are a substantial and growing portion of the business community, the government has yet to tap this valuable source of products, services, and entrepreneurial creativity.

Women-owned businesses are the fastest growing segment of the small business economy. The number of self-employed women increased by 76 percent between 1975 and 1985, twice the rate at which women entered the work force during the same ten year period. In 1972, women owned 4.5 percent of all small businesses. A little more than a decade later, women owned 28 percent of all small businesses. The Small Business Administration estimates that by the year 2000, 50 percent of all small businesses in the U.S. will be owned by women.

The U.S. government, however, has failed to tap this expanding part of the economy. Of the billions of dollars spent each year by the world's largest buyer of goods and services, the U.S. government awards less than one percent of all contract dollars to women-owned firms. In 1975, the U.S. Civil Rights Commission commented that "women-owned businesses are hampered in the procurement process by the unavailability of information and biases built into the procurement system." Unfortunately, more than a decade later, this situation appears little changed.

Statistics paint a stark picture. Through the third quarter of FY87, only 12.735 percent of total federal procurement went to small businesses. 0.599 percent was awarded to women-owned businesses. A breakdown by agency is worth looking at:

** The Department of Defense (DoD) controls the bulk of government contracting. In FY85, DoD awarded 82 percent of the prime contract dollars received by small businesses and 84 percent of the dollars received by large businesses.*

In FY86, out of a total of $136,497,000,000 of procurement, DoD awarded $1,100,000,000 to WBEs, or 0.8 percent of total procurement dollars. The average contract size was $3,343, compared to an average of $8,621 for small business in general.

** For FY87, third quarter, 3.3 percent of AID's contracting went to WBEs. The average size of awards for WBEs was $53,000, compared to $194,000 for small business in general.

** In FY87, through the third quarter, 1.3 percent of the Environmental Protection Agency's contracting went to WBEs.

** In FY86, 2.2 percent of the Department of State's total procurement expenditures went to WBEs, and 1.9 percent through the third quarter of FY87.

** WBE participation in the Department of Transportation contracting rose from 0.6 percent in FY80 to 3.2 percent in FY87.

These are just a few of the agencies, but they control a huge portion of the government's procurement dollars. These figures show that the growth of WBEs in the economy is far outdistancing the government's use of their products and services.

Several factors contribute to the low levels of participation of women-owned business enterprises in government contracting, including inadequate outreach, insufficient commitment to utilizing WBEs, under capitalization and discrimination in commercial credit transactions. I will address two--inadequate outreach, and insufficient commitment to utilizing WBEs--on which the government can and should have a considerable impact.

Women business owners interested in seeking federal contracts are often dealing with the federal government for the first time. Many own newer businesses that do not have a long track record, nor do they have contacts within the contracting agencies which might facilitate successful applications. Improved outreach is critical if WBEs are to become more active participants in the procurement process.

In 1984, in testimony before the Senate Environment and Public Works Subcommittee on Transportation, Clair Leven, owner of Preservation Technologies Inc., testified that:

> "We have found that outreach programs are ineffective or non existent. Agencies administering the projects are unwilling or unable to find effective ways to increase the participation of women on these projects and to help them resolve their problems on the job. More often than not, women have no place to turn to for assistance, be it financial, technical, or procedural."

Some agencies, and individuals in them, have made efforts to improve the situation since then. The figures I have cited on WBE participation in government contracting, however, indicate that much more needs to be done. With women now owning over a quarter of the small businesses in the U.S., it can no longer be argued that a lack of WBEs is the reason for low government contracting to WBEs.

There is no consistent plan for government outreach to underrepresented sectors of the small business community. For example, the Department of State participates in seven trade fairs per year, plus twenty congressionally sponsored conferences, while the Department of Defense participates in fifty trade fairs per year--in other words, one per state. This raises questions on how the business community is alerted to these events, is priority given to reaching all sectors of the small business community, and how do agencies decide which trade fairs to attend.

Perhaps programs such as the Department of Transportation's Women Business Enterprise Assistance program should be reviewed and taken as a model for other agencies. DoT informs me that activities undertaken by this office include technical assistance, bonding, loan packaging, certification assistance, bid proposal development and cost estimating.

Another area in which the federal government should be taking the lead is in its commitment to utilizing WBEs; both a commitment in agency policy to capitalizing upon the resources of WBEs, and a commitment on the part of agency employees to see that those objectives are carried out.

At the policy level, all federal agencies are required under Executive Order 12138 to take action to support WBEs and ensure full participation in procurement and financial assistance programs. In addition, Policy Letter 80-2, issued by the Office of Federal Procurement policy in May 1980, requires all prime contractors to develop plans for subcontracting with women owned firms. In practice, these requirement are sometimes only partially complied with, sometimes only nominally.

For example, the Department of Defense requires that prime contractors adopt a "best efforts clause" to utilize WBEs as subcontractors. The primes are not required, however, to report the extent of such subcontracting. Another example is the Environmental Protection Agency, which reports that it does not require prime contractors to develop plans to use WBEs as subcontractors but encourages such efforts.

At the implementation level, accounts of inertia or outright resistance to increased utilization of WBEs are too frequent. These accounts can be attributed to sexism; to a disinclination to award contracts to companies with whom the procurement officer has not worked, even if the company in question has submitted a less costly or more efficient bid; and to outdated impressions about the kinds of industries in which women start companies.

Statistics show, however, that women in business cover the waterfront. The President's 1985 report on small business states that 91 percent of women-owned sole proprietorships were either in personal, business, recreational, medical, professional, or other services, or in retail trade, finance, insurance, and real estate. Furthermore, some of the highest annual growth rates have been in nontraditional areas including agricultural services, forestry and fishing, mining, security brokerages and dealerships, general building contracting, and legal services.

It is imperative that federal employees involved in the procurement process understand their key importance in assuring that government purchasing realistically reflects the broad spectrum of the US business community. In addition, policies on government purchasing must be enforced from the top down and recognition given for successful effort. An employee's efforts to develop new outreach efforts, and to increase participation of WBEs should be taken into consideration on the employee's performance review. Department of State's practice of writing commendations for officers who do this is a step in the right direction.

In conclusion, I would reiterate to the Committee the importance of women business enterprises to our national economy. Over the last decade, women have increased their share of business ownership in every major industry division. The data shows that government contracting to WBEs is in unacceptably low proportion compared to the proportion of the business community made up of WBEs. The federal government's responsibility as a role model and as the world's largest buyer of goods and services obligates it to make sure that its procurement record reflects the broad spectrum of American business.

* Many of the agency statistics used in this testimony were provided by the agencies in response to inquiries by the Speaker's Task Force on Minority Set-Asides, of which I am a member. The report of the Task Force should be finalized and available to the Committee soon.

Prepared Testimony

House Small Business Committee

Reference:
Oversight Hearings
The State of Small Business:
1987 Report of the President

Testimony Presented on April 27, 1988
9:00 a.m.
2361 Rayburn Building
Washington, DC 20515

Testimony Presented by:
Mildred A. Green
President
A.D.S.,Inc.
239 North State Street
Caro, Michigan 48723
800/544-3288

Suite 317
1025 Connecticut Avenue, N.W.
Washington, DC 20036
202/429-6634

215 South Washington
Lansing, Michigan 48933
517/482-9477

Nashville, Tennessee 37211
615-331-62496

Philadelphia, Pennsylvania
215-665-5650

Testimony of
Mildred A. Green
April 27, 1988

Mr. Chairman and esteemed members of the House Small Business Committee, I want to thank you for the opportunity to share a few of my achievements and challenges as a woman business owner in the government procurement market.

As a woman who started businesses in Michigan and then expanded nationally, I still believe that perserverance, openness and a niche market are the unequivocable necessities for success. All of my businesses had less than $10,000 in start-up capital, principally from personal savings. In addition, my procurement experience came as the bookkeeper/bid preparation person with a bridge construction company starting with farm culverts and expanding into multi-million dollar bridges for five states. I had no professional assistance or training.

The five successful businesses I started in Michigan include:

- * A piano school for young children;
- * A retail bridal apparel shop;
- * Two intermediate care facility homes for developmentally disabled adults; and
- * An accounting service bureau for non-profit corporations.

The accounting service bureau grew into a computer retail company and later a full-systems house for computers. Our initial target markets were departments within the State of Michigan, and later, the Federal government. Today, A.D.S. is a computer software manufacturer, a computer hardware manufacturer, a distributor for major manufacturers of small to medium sized computers and peripherals. Since we have been successful, we are now starting the process to become a franchisor of A.D.S. procurement procedures and computer products.

In the past, I also provided start-up assistance for two other businesses: a Montessori School for pre-school children in Michigan and more recently, a company called, On-Hold advertising in Tennessee.

Currently, I am involved in the final stages of development for the Liberty BIDCO Incorporated, a woman-owned Business and Industrial Development Company in Michigan (that will provide access to capital for service-related and soft asset businesses).

At this time, I am President, CEO, Chairman, and the major stockholder of A.D.S. Computers. A.D.S. is a full systems house offering sophisticated hardware and software, maintenance and training to a number of state and Federal government agencies. We have a list of satisfied clients, including 100 Federal locations, more than 200 state agencies in Michigan and Tennessee and 100 other business customers.

All of the contracts A.D.S. won and maintained were bid and awarded in an open market with no set-asides, incentives, or any other type of equal opportunity access programs to procurement.

I appreciate that a new five percent access to procurement is now offered by the Federal Department of Defense. Some states, such as Michigan, currently offer set-asides to women owned businesses. However, these are discretionary funds and sometimes do not provide equal access or encouragement to procurement opportunities.

Usually, the contracts for women owned small businesses are awarded after the award - not prior to it. At the present time, there is no national program to ensure equal access to government contracts for women owned small businesses.

The Michigan Department of Commerce Office of Women Business Services has provided the catalyst of encouragement to me since 1986. It represents the very best in governmental agencies -- a supportive agency, encouraging creative economic development without competing with or stifling the creative entrepreneurial spirit.

This division of the Michigan Department of Commerce was formed by Governor James Blanchard in 1983, about the same time A.D.S. was incorporated. I learned about it in 1985 during the first meeting I attended of the National Association of Women Business Owners.

My five year old company's expansion into the manufacturing and franchising environments is significant because it means that we have struggled and won against all the odds and against all those who said:

"It can't be done."

"You can't do it", and, finally,

"Well, you aren't doing it right."

The comments I heard from various sources can best be summarized in the following poem:

"They said you'll never make it
And they thought that they were right.
But I kept on trying harder,
Because I hoped I might.
And they shook they heads in wonder
That I lacked the sense to quit
But I held my chin up higher
Though it quivered a little bit.
They said you'll never make it
As the problems multiplied,
But I had to make an effort
And to know at least I tried.
So I dug my heels in deeper
Though my spirits sometimes lagged
And I shouldered what was lightest
And the rest I sort of dragged.
And I found to my amazement
At the ending of the day,
That what they said I couldn't
I had managed anyway.
It only took three little words "Lord help me" and
I rid
Myself of doubt and all they said I'd never do
I DID.

Five years ago, I was embarrassed to be a woman owned small business. When I decided to attempt selling products and services at the State level, I walked around the Purchasing Division until 20 minutes before closing time developing the courage to tell them I wanted to be a "State Approved Vendor".

An Office of Women Business Owners Services is urgently needed at the Federal level, and in each one of the states to encourage the fastest growing segment of our nation's economy, woman owned small businesses.

Our Successes -- Happy endings take less time to tell!

In 1984, A.D.S. successfully bid many small contracts to the State of Michigan and one large contract to the state's Department of Mental Health. A.D.S. continues to provide maintenance and some software development for this contract.

In 1985, we were awarded the second multi-million dollar computer contract by the Michigan Department of Corrections. A.D.S. continues to provide hardware, software and development, along with training, maintenance and hotline support to the Department's team of hardworking professionals who pioneered the multi-user multi-tasking environment for correction facilities.

Since 1986, A.D.S. has successfully bid many small Federal contracts and two large Federal contracts.

The Tennessee Valley Authority contract is one of the large contracts for an indefinite quantity of products. Our TVA clients are professional technicians, working hard on automating their information systems. It is a pleasure to work to meet their needs at a competitive price.

The Federal Trade Commission has also cooperatively met the challenge of working with a small vendor, A.D.S. Computers. Their professional technical team has worked successfully with our team to meet FTC's needs. It is our privilege to provide laser printers and parts for them.

Expanding into other States in 1987, A.D.S. received an unlimited, renewable contract with the State of Tennessee to provide computer hardware.

The future brings hope that our first attempt at two GSA schedules will also be successful so we can provide Fourth Generation Language Relational Database development tools for Federal departments, along with hardware and peripherals from our diversified catalog of products. The A.D.S team of professionals cares about our customers, the government, and makes every effort to provide the best possible quality products and services.

It is my firm belief that the local, state and Federal government agencies should be thought of and treated just like any other customer. At A.D.S., we respond to the needs of our customers to ensure a win/win environment -- for both the vendor and the customer.

Our Challenges to Survival:

The following information concerns a Federal agency which shall remain nameless.

After our first Federal contract was working smoothly, A.D.S. received an opportunity for a second -- a bid for 180 to 360 PC computer expansion boards. Normal procedures for successful bidding were followed by our staff: Distributor pricing received on the product met the agency's specifications; Terms and Conditions were answered; and the Request for Bid was submitted. The agency stated the pre-award evaluation step was complete. A.D.S. notified the distributor that preparation for expeditious delivery of the much-needed product should be started to ensure quick delivery at the award. Then one disaster after another struck!

The distributor stated the manufacturer had bid on the contract, giving pricing to several other bidders as well and was now refusing to supply computer chips for the boards. This meant additional costs to A.D.S. I called the manufacturer's representative for clarification. He stated that the government buyer had told him about all the bidders as well as their pricing and that we would need to work with his company. I listened. After consulting with my technical team, I discovered that sanctions were being considered against computers and parts from Japan. This was the most reliable source for durable quality products.

This information hit the news media and caused American distributors and manufacturers to stockpile chips and prices to soar. As you can tell by now, I do not give up. I called a Japanese manufacturer's representative. He told me that if I could sell fish to him, he could get chips for me. (If you are interested in how the sale of food to Japan and other countries could help solve our whole imbalance of trade, I'll tell you my "fish and chips" story.)

At that point, I still believed we could supply the contract - that was until the manufacturer called to say that his price was now higher on the board - even with A.D.S. supplying the chips. He also stated that since his company sold the only qualified board, I would have to buy from him. I replied, "not any more!"

Because I believed the manufacturer's access to information from the buyer was improper, I called the buyer's supervisor and informed him what was said by the manufacturer's representative. I protested that his buyer had revealed everyone's pricing, which was particularly unfair to A.D.S. since we were the low bidder and were attempting to supply the contract. He requested that I put this in writing. Which I did.

My technical team supported my next statement that we could produce a prototype for his inspection, meet or exceed the specifications and produce the board within his alloted time frame to honor the contract at the same price. We did all of this and were within costs to make a minimum profit. Elated at our accomplishment, we also saw the opportunity to market the board to other agencies and began planning to manufacture larger quantities in Michigan. This would have provided approximately 30 additional jobs in Tuscola County, an economically depressed area.

Now you would not believe that the Federal Department would withdraw this bid and re-bid it - But they did! Now, everyone and the custodian knew A.D.S. pricing. I was disgusted but what could I do? I protested. The protest was denied and the project re-bid. When the "re" bid came out, I bid on it again, trying to lower my prices -- already knowing the worst could happen. It did!

The manufacturer, who now had a stockpile of computer chips at 50 cents each, cut his price by more than one-half to just under the A.D.S. bid. My cost for computer chips at that time was $2.50 each and today they cost $12 each. Of course, the manufacturer took the bid. I lost money because of what it cost to prepare the bid, find the chips, and manufacture the prototype. The manufacturer won in many ways, not the least of which is that he now has the inside track of doing business with a prestigious Federal agency.

THERE IS A NEED FOR CHANGE

The current procedures are discouraging woman owned small businesses from entering the procurement market. My efforts to offer training and encouragement to them is often met with skepticism. After a few of their horror stories, about like mine, you would understand why.

When the Federal government indicates publicly that it will place sanctions on products, it invites manufacturers and distributors to stockpile and raise prices beyond reasonable markets.

Due to current laws, procedures, and the internal policies of State and Federal agencies, a vendor is bound by the final prices bid for the full term of the contract. This does not allow vendors any price increases that track increases in costs directly related to Federal sanctions and other Federal legislation.

This is especially harmful and discouraging to small businesses. However, it is a disaster for woman owned small businesses who wonder at the lack of federal initiatives and commitment to the fastest growing segment of job-providing business, a/k/a women owned businesses.

In order to be competitive with the large companies in the procurement market, A.D.S. and other small businesses operate on a very narrow profit margin. This limits our ability to become and remain successful in the government procurement arena.

I wonder when Federal laws and policies will create a climate to support and encourage women-owned businesses!

I have struggled and won the right to provide quality goods and services on some proportionately small Federal contracts and I know and believe there are other women-owned small businesses who are interested in doing the same. Since I believe it is in the best interest of the Nation's economy to support the courageous efforts of women owned small businesses, I make the following:

RECOMMENDATIONS

1. Commission a Federal study to determine what percentage of American business are (a) women-owned small businesses; (b) what percentage of new jobs these businesses provide; and (c) what dollar amount of revenue they currently contribute to the American economy. (Informal statistics indicate (a) 46%, (b) 4 out of 5, and (c) $250 Billion in revenues.)

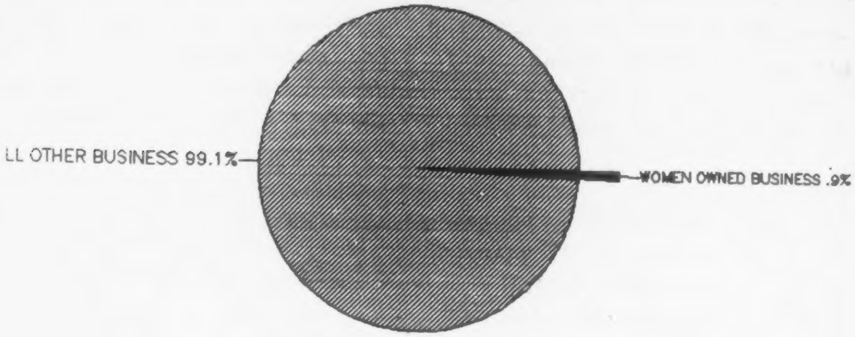
2. A federally mandated 10% equal access to procurement for women owned small businesses on all contracts with Federal departments and agencies receiving Federal funds.

3. A federally mandated certification procedure for women owned small businesses, monitored by a Women Business Owners Services Office in each state. A model certification process currently is used by the Michigan Department of Civil Rights and the city of Philadelphia, Pennsylvania.

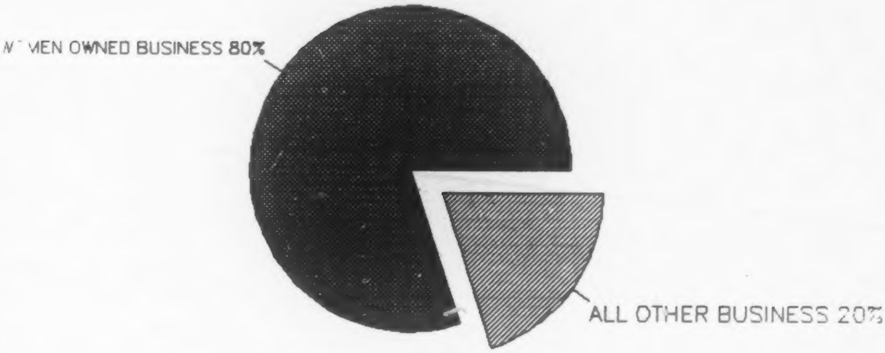
4. A federally mandated waiver for women owned small businesses to allow contract prices to increase according to increases for products listed on contracts if the price increase is directly attributable to any Federal or state sanctions or legislation causing that increase.

Respectfully submitted,

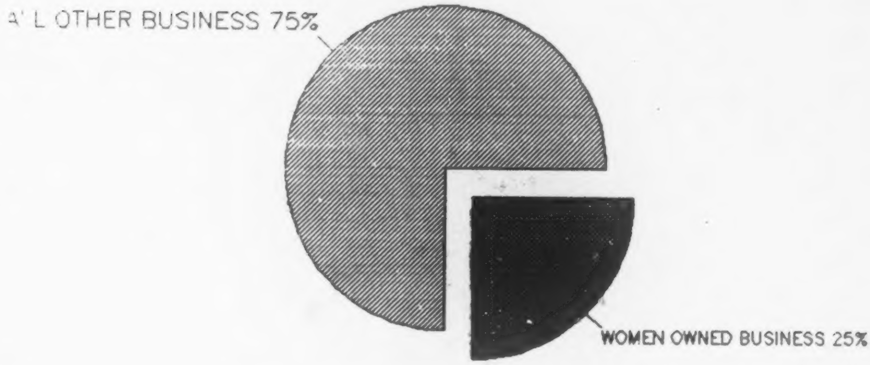
ANNUAL GOV'T PROCUREMENTS OVER $10,000
TOTALING OVER $200 BILLION



NEW JOBS BEING CREATED



SMALL BUSINESS OWNERS



TESTIMONY
OF
CAREY I. STACY
BEFORE
THE HOUSE COMMITTEE ON SMALL BUSINESS
APRIL 27, 1988

Mr. Chairman, members of the Committee on Small Business, my name is Carey Stacy. I am the owner of DiaLogos International Corp., a foreign language center, in Raleigh, North Carolina and co-owner of Globex, Inc., an export management company which grew out of DiaLogos. I thank you for the opportunity to speak before you here today.

I do not appear here to lament the inequities which women business owners and women in business face daily in our efforts to participate fully in the economic benefits of this rich nation. You know in your hearts that these exist and I am confident that you are seeking and will continue to seek ways in which these injustices may be redressed not only for women, but also for every other group which seeks to take part in the prosperity this country enjoys.

I do appear before you to ask for increased opportunities. Opportunities for individuals of both sexes and of all races. Opportunities for our nation to benefit from the creativity, talents and skills of more of its citizens. My own business has benefitted slightly from federal opportunities. I hope you will see from the description of my business that follows that I have looked upon this help as an investment and have to the best of my ability tried to repay this debt to my country.

Like many other businesses, DiaLogos International grew out of dissatisfaction with the status quo. Since I was teaching at a university at the time, I tried to work through the system to encourage practical foreign language training. Eleven years ago the university did not see the need for this. When I opened my company in Chapel Hill, N.C. in 1977 I was told by bankers, lawyers and other advisors that the area was not likely to be able to support a foreign language center. Needless to say, no loans were available from any source. DiaLogos opened its doors on less than $2,000 confident that it would provide a much needed service, as yet unrecognized, and that it would prosper despite the nay sayers.

From its beginning as a center where languages would be taught in a practical way, the company has now grown to include translation, interpreting, cross-cultural training and multi-lingual word processing. It also represents the first instance in the U.S., so far as is known, in which a public school system has contracted out teaching hours to a business. For the past six years DiaLogos has provided over 300 hours per week of practical instruction in Spanish, French, German, Italian, Chinese and Japanese to kindergarten through the twelfth grades in the magnet schools of Wake County, N.C.

In the past five years North Carolina has consistently been listed in the top two or three states in the country in terms of foreign owned business investments. Nearby Research Triangle Park enjoys an international reputation, three additional foreign language enterprises have begun and the universities proudly proclaim their international curricula, seminars and practical language offerings for the business person. American Airlines will next month begin international flights from the Raleigh-Durham Airport and a World Trade Center is being considered for the area. Clearly, the timing was right eleven years ago for a foreign language business in the Research Triangle Park area of North Carolina.

In 1985 I was selected as one of 13 women nation-wide to participate in the first all female trade mission ever to go out from the U.S. This Mission was conceived, organized and implemented by two women, Tommie Tarsell of Baltimore, Md. and Janel Landon of Chicago, Ill., under the auspices of the National Association of Women Business Owners. These two ladies sought and obtained the support of the Small Business Administration and the U.S. Department of Commerce. The public/private partnership responsible for this activity has opened up the world of international trade to many women who would simply not have considered export. Equally important, this was the first "all services" trade mission. Since many small businesses are in the service sector, finding ways of exporting services opens new doors for both men and women in international trade, all of which benefits the individual and contributes to the health of the U.S. economy.

In 1986, I continued the trade mission work of my predecessors by organizing and leading the first "Women in Health Care Services" Trade Mission to Japan. Again, this effort was NAWBO in partnership with the SBA and the U.S. Department of Commerce.

Because NAWBO'S members are involved in a wide variety of products and services we research what certain countries are buying and then solicit participation from companies likely to be able to market themselves in that country. To assure the success of the Japan mission, we sent a list of what we thought were likely to be successful services to the U.S. Embassy in Tokyo. We were delighted when the Embassy responded that they believed that health care services would do well there.

After the participants had been selected I went to Japan to work out the details with the Department of Commerce personnel there. Much to my surprise, I was told that the overseas post had intended "health care services" to mean weight loss programs, health and physical fitness programs diet and nutrition programs, exercise equipment, etc. Our understanding had been doctors, hospital administration, geriatric care, nursing home programs and other direct health care programs. I was told that the laws of Japan would make it very difficult for most of the companies selected to actually sell in Japan. After much conversation, the post agreed to do some further research and receive our group as constituted. When we arrived, we found that the additional research had opened up areas our post had previously not known about, areas now open to other American exporters.

Our group went. We received a warm welcome from the Japanese and were told that our group had received the most publicity of any trade mission ever to come to Japan. In fact, one newspaper proclaimed "Here come the American Women Businessmen." We know that the initial response was likely curiosity. However, they came, they saw, we conquered. Four of the twelve companies left Japan with serious commitments to negotiate sales. The others felt that they had opened the doors and would be able to pursue markets in that country because of the contacts made through the mission. On the heels of our mission, we were told that our presence there helped to open Japanese markets to health care services. The U.S. Department of Commerce is now planning a health care mission to Japan based in part on the success of our mission.

Since that mission a number of Japanese delegations have visited the members of the mission and reports are that negotiations are underway. As a result of contacts made there, I hosted a Trade Mission of Japanese buyers who came to North Carolina in 1986 only four months after our mission to Japan. They came specifically to search out products which they could import to Japan. A number of additional buying missions from Japan to other states are being organized-all as result from the NAWBO "Health Care Services" Trade Mission to Japan.

Armed with two successful trade missions, I am currently organizing two more trade missions for NAWBO. These missions are not limited to women, they are organized by women who see the need to bring more people into export activity whereby they expand the markets for their own companies and contribute to the economic well-being of our nation.

Standing here, I am not unmindful that I have participated in the benefits of citizenship. My undergraduate education was made possible by a combination of scholarships and government loans. On that foundation I completed graduate degrees and became a teacher. As a teacher I attended a government sponsored NDEA Institute for foreign language teachers. Later I taught in a similarly organized institute for high school students gifted in foreign language. In the second year of my business I received a small loan from the SBA specifically targeted for women. In the eighth year I was a delegate on the first "All Services Trade Mission" ever to go out from the U.S. The following year I organized the first "Health Care Services Trade Mission to Japan" . This year I am in the process of organizing two more trade missions for NAWBO and two for my local Chamber of Commerce.

My pattern of receiving benefits and returning them with interest is, I believe, the norm. This country must continue to invest in its people through programs that help individuals grow and prosper, programs that encourage individuals to return something because they want to contribute to the common good.

The opportunities of which I speak are programs which you can provide, programs which invest in the talents, the visions and the perspectives of segments of the population which do not neatly fall within the comfortable "business as usual" category. But, the visions, the talents, the perspectives of these citizens can all contribute to the re- vitalization of our economy and return us to a world leadership position.

I urge you to seek out opportunities for public/private partnerships and to provide programs which will benefit a wider spectrum of citizens. Many individuals, groups and organizations are anxious to participate and to suggest possible projects. I am, NAWBO is. We do not need handouts. We need to be taken seriously.

Carey I. Stacy
DiaLogos International Corp.
8921 Glenwood Avenue, Raleigh, N.C. 27612

CONGRESSIONAL OVERSIGHT HEARINGS

HOUSE SMALL BUSINESS COMMITTEE

APRIL 27, 1988

Good morning Congressman La Falce, distinguished members of the Small Business Committee, Ladies and Gentlemen.

My name is Phyllis Hill Slater. I am a Principal of Hill, Jenkins, Gaudy-Associates, Engineers and Architects (HJG) and President of Hill Slater Inc. (HSI), an Engineering and Architectural Support Systems firm. Both firms are situated in Lynbrook, New York part of Nassau County on Long Island.

Hill, Jenkins, Gaudy-Associates is a 100% minority owned and operated firm. My father, Philbert D. Hill and two other pioneering black men started HJG in 1969. Since it's inception, HJG has maintained a diverse Engineering and Architectural practice. We began with store front projects, and today have to our credit projects which are worth up to one hundred seventy-five million dollars.

Hill Slater Inc. is a 100% Women/Minority owned firm of which I am the President (and sole owner). Since 1984, Hill Slater Inc. has served the Architectural and Engineering community and related enterprises. We provide drafting services in all disciplines, feasibility studies and reports, energy conservation studies, specification writing, estimating, survey of existing conditions, inspection of construction, architectural renderings and models, and word processing.

CURRENT AFFILIATIONS:

President of the National Association of Women Business Owners, Long Island Chapter (NAWBO, L.I.) NAWBO (with a mailing list of over 500 women business owners on Long Island), is two years young and 85 members strong.

Member: Coalition of Minority Women in Business

Member: Coalition of Women in National and International Business

Member: NY/NJ Minority Purchasing Council

Member: 100 Black Women of Long Island

Member: Women Economic Developers of Long Island (WEDLI)

Member: Advancement of Commerce and Industry (ACI)

Member: National Society of Professional Engineers

Member: Long Island Association (LIA)

Member of the Board: The National Minority Business Council.

Appointed by Governor Mario Cuomo (NY) to the Regional Economic Development Council 1987.

PAST AFFILIATIONS:

Member: Congressman Parren Mitchell's Small Business Brain Trust

Board of Directors: Nassau County Economic Opportunity Commission

Board of Directors: Nassau County Community Economic Development Commission

Board of Directors: Freeport Economic Commission

Delegate: White House Conference on Small Business 1980 and 1986.

Delegate: 1982 New York State Conference on Small Business.

YOUTH SPONSORSHIP ACTIVITIES:

Participation Role Model Program of the NY Coalition of 100 Black Women.

1987 Judge for the NAACP Afro-Academic, Cultural, Technological and Scientific Olympics (ACTSO-PROGRAM),

Hofstra University's NOAH Program Endowment Committee.

AWARDS:

NYS Certificate of Appreciation presented by Governor Hugh L. Carey, 1980.

Leadership Award presented by Freeport EOC 1982.

Community Service Award presented by Operations Alternative 1984.

Distinguished Service Award presented by the Masons 1985.
United States Small Business Association Award "Small Business Advocate" "Women Business" 1987.

National Association of Negro Business and Professional Women's Business Award 1988.

I am the mother of three young adults, Gina, Lisa and Tanya and my principal residence is Freeport, New York.

I shall attempt to outline some of the pros and cons that I have encountered as a Black Woman Business Owner.

For 8 of the past 19 years HJG has been involved with MBE/WBE/DBE processing. Certification as a minority firm seems to come after producing all sorts of information just short of a blood test. Up until eight years ago, most of our work came from referrals given by other Black or Minority Architects and/or Engineers. If we received work from the government, be it Federal, State or Local, then the work was 9 times out of 10 in a minority neighborhood and consisted mostly of rehabilitation, very seldom new construction.

Since MBE goals have been established our services are now being solicited by Majority Engineering and Architectural firms for 10 to 25% of their intended contract.

Some of the problems that I have faced as a result of this process are:

We have been overlooked by the soliciting agencies for Prime Contracts. In some cases we have even been removed from the regular list of Engineers and Architects and placed on the Minority List. We therefore receive information and notices directed only to Minority firms. This is what I consider being "Black Listed". We are not considered as capable as a Majority firm, even though our Architects and Engineers went to the same schools and took the same licensing test. We are not exempt from the state licensing procedures because we are minorities and likewise do not take a different or easier version of the test.

A popular misconception among government agencies and businesses in the private sector is that Minorities enjoy a position of privilege and are making truckloads of money. As a result of this there are many businesses posing as minority owned and operated ("fronts"), trying to get on what they perceive to be the MBE Gravy Train. What minority business detractors fail to realize is that not only do we have to be certified as a minority or woman business owner but we must also be capable of seeing a contract through to completion.

The term "Disadvantaged Business Enterprise" (DBE) does not enhance the professional standing of a licensed professional firm or any other business for that matter.

There is a ceiling placed on the amount of money a company may earn. When the firm reaches said amount they are no longer eligible for the MBE/WBE/DBE program under U.S. Transportation Regulations 49.

As a result of disqualification there are now firms facing cash flow problems, subsequent reductions in staff or even closing their doors and taking down their shingles. Let us keep in mind that women hire other women; minorities hire other minorities so these layoffs are hitting an already economically depressed sector of society.

We have subcontracted with some of the largest firms in the country in satisfaction of their MBE/WBE requirements. We have had repeat work with most of these firms; an indication of their satisfaction with our work. However, only two of these firms have used HJG as a subcontractor when there was no MBE goal involved. One of the firms, Vollmer Associates Consulting Engineers, and the other Architects DiGeronimo.

I believe that so long as discrimination exists against minorities and women that there will be a need for Affirmative Action programs. I feel very strongly that this program may only be disbanded once this nation truly becomes a melting pot where neither race nor sex is a determining factor for success.

Women make up the majority of the population therefore women should not be considered a minority group.

Minorities and Women Business Enterprises should be kept as separate entities, with separate goals to be outlined in each contract and/or a statement of intent for each agency's goals.

Women Business Owners are discriminated against in a way that is unique to Women. Their inclusion in Affirmative Action agendas lends credence to the need for special consideration on their behalf. Minority Business Owners are discriminated against in a way that is unique to Minorities.

Let us keep in mind that given a choice, a Majority firm would choose to subcontract to a Non-Minority Woman rather than select the Minority Woman. Also if the choice was Women vs Minority a Majority prime contractor would be inclined to choose a Woman Business Enterprise.

Prompt Payment and its ensuing rights for sub-contractors is a major cause for contention.

As a sub-contractor under the MBE/WBE process we have to be qualified, certified, and follow the same rules and regulations (i.e. carry the same amount of insurance), as the Prime, as set forth by the governing agency.

In this situation our contract is with the Prime and not with the Agency. Therefore, we are at the mercy of the Prime and can only hope that they submit our invoices on time and pay us in a timely fashion.
Timely payments are the greatest problem. We are left to act as the banker for the Prime and/or the agency waiting 30, 60, 90, or 120 days for payment.

The sub-contractor should be notified when payment has been made to the Prime. I should have the right to know whether or not the Prime has been paid. Better yet, the Agency should make payments directly to the Sub-Contractor as well as to the Prime; rather than leaving the Sub-Contractor to fight for their approved payments for services rendered.

Thank you for the opportunity to be heard.

Phyllis Hill Slater
HJG/HSI
149 Broadway
Lynbrook, New York 11563
(516) 593-1361

PREPARED TESTAMONY
COMMITTEE ON SMALL BUSINESS
OVERSIGHT HEARINGS April 27, 1988

By: Margaret S. Hansson, President and CEO
M.S. Hansson, Inc. and Chr. PureCycle Corp.

I am a myth-buster. I am a myth-buster because I founded one, two, three, four companies as an entrepreneur. I built the first company from garage, not home living room as women are popularly supposed to do, to a fifty thousand square foot building. It grew from three to three hundred fifty employees, two overseas ventures, publicly traded, always profitable.

As a woman entrepreneur I progressed from the founding of the first, second and third companies to participation in many areas of business life often reserved for men. I became a director of mutual funds, a director of first a local bank and then a directorof the largest bank holding company in Colorad9, the United Banks of Colorado. I became director of four more publicly traded companies in completely different industries--medical technology, media, a national chain of children's day care centers and water recycling. I am a myth-buster because I understand business in its many remifications. My companies are involved in consumer products, high technology and heavy industry. I understand mathematics, engineering and data processing. I know banking and I am a modern manager with conceptual innovations in both the U.S. and global economy. I export and import. One of our basic new technologies will revolutionize solutions for some of the world's major ecological problems and do it profitably with savings to governments as well as to all the world's peoples.

I sound as if I am some sort of paragon or perhaps a con artist--"for a woman." If I were a man I would be a success story, but only one of thousands. As a woman you find it hard to believe thet I have had this pattern of success.

But there are many of us myth-busters. I know personally at least three hundred of these women. They are members of the Committee of 200, now grown to three hundred members. I am a founding and charter member of the Committee of 200, founded to raise funds for the National Association of Women Business Owners in 1982. During the research to find these women we discovered a thousand women owners and corporate executives at a very high level. The number has grown rapidly since 1982. Each of these women owns and runs her own company with atleast five million dollars in annual sales, or is a top corporate manager with responsibility for an annual budget of at least twenty million dollars. The women eligible to join this group are increasing in number by 25% per year.

We are all myth-busters. We are owners of top ad agencies, construction companies, cable television, national magazine presidents,movie magnates, music moguls, screw and spring manufacturers, public relations firms, venture capatalists, telephone corporation executives, major newspaper executives, high technology company owners, major retail organization presidents, cosmetic superstars, etc. etc. You would recognize the names of almost every person and her firm and trademark.

We make thousands of jobs. We contribute to the corporate culture of success in innovative companies. We care, we invent, we profit, we share and we succeed. But every one of us has a story of nasty discrimination which we have beaten to get where we are now. And each of us experiences daily some subtle, and not so subtle, evidence that the male world has difficulty giving women their deserved and equal due.

I founded my first garage company, Gerry Designs, Inc., in the mid fifties. Gerry made lightweight products for small children, Gerry Baby Carriers, one of the best known trademarks in the juvenile industry. I invented the first piggyback, forward facing frame carrier for babies. An entirely new concept for carrying babies--eons and eons after the first babies were carried in skin slings. In three years Gerry Designs, renamed Gerico, Inc., had sales of almost one million, about five million in today's dollars.

Fortunately, I ran a tight ship and brought suppliers, our lawyer and accountants into ownership, stretched nickles and negotiated shamelessly, or we might not have made it. No bank would even talk to me when I tried to set up a revolving credit line. I heard such statements as "Why don't you get a job that you can do or go home and take care of your family?" I was one of the fortunate ones. I got many tips from my uncle who was president of Bankers Trust.

In spite of barriers Gerico grew and profited. Eventually the banks couldn't ignore us. We had worked hard to prove that Gerico deserved to be treated as a successful small business client.

In 1973 I received an offer for the company which was almost too good to believe and I became a wholly owned subsidiary through a merger with General Recreation, Inc. We went public concurrently. I remained as president and member of the presidents council at General Recreation until 1977 when I resigned to found another company, Genac, Inc. a company which manufactured products for the handicapped.

During the preceding four years a long-time friend/partner and I had begun and sold two other small businesses; one was a small publishing company which published books and pamphlets about lightweight backpacking equipment and climbing, the other a company manufacturing a new concept in sailboat blocks. Both were sold soon after Gerico's merger. Continuing the pattern, I sold Genac, Inc. two years after its founding when its sales had reached about a million.

I had discovered what I do best--develop products and companies, all kinds of companies usually involving products, but not always., using all my skills and a few new ones. I work with new product ideas at all stages of development, from inception through funding. A few are interesting enough for me to take an equity position and continue in the management and further development and eventual sale or public offering.

My most important current interest is as Chairman of PureCycle Corporation, a high technology company which holds patents for the complete recycling of water. This company has new and exciting technologgy with many important ramifications. It is a public company which is just emerging Phoenix-like from several very unsuccessful years. Its recycling technology has the potential to purify water of any hazardous substance. It is the only system which has ever completely recycled water--over and over--with no need for water and sewer hookups. The system can also take stack gases into solution and then purify the water. It is a much more complete system for control of air polutants than scrubbers etc. The potential of this company is enormous. There will be many jobs created. A whole new family of products will emerge to solve tough ecological problems.

This long discussion, which describes half of my business life and none of my extracurricular life, is meant to show that I am one of many women who are overcoming obstacles to grow large impressive companies, create jobs, new technologies and management concepts. We are creating companies faster than men. We own 25% of all businesses. We are creating jobs faster than any other sector of the economy. We are not all little jam and jelly, knitshop, secretarial and cleaning businesses. But even these are growing into large well managed businesses.

You have heard most of the impressive statistical data concerning women owned businesses during these hearings. Many recommendations from the White House Conferences on Small Business of 1980 and 1986 have been presented. Those recommendations are remarkably consistent. Some have been acted upon, others seem to be forgotten and many laws and regs are being ignored blatantly.

I was appointed by President Carter as one of the eleven commissioners of the '80 conference and was an appointed delegate to the '86 conference. Progress is slow. We still feel that the U.S. Government must recognize the basic role and importance of women's businesses. It is not a matter of "letting" women have a small part. We must open and cncourage access to all areas of business. Our GNP growth depends on women at least as much a men. We must knock down the impediments you have heard so much about.

I have suceeded against all odds. How much easier it would have been had the odds been stacked a bit more favorably. You have it in your power to do much to make the way equal. We have it in our power to contribute to a new vision of the United States economy. We will make sure there are jobs for all who can work and that we are the innovators of the 90s and next century.

Margaret S. Hansson
President

TESTIMONY OF CHARLOTTE TAYLOR
PRESIDENT OF VENTURE CONCEPTS, WASHINGTON, D.C. AND FORMER EXECUTIVE DIRECTOR OF THE 1977-78 PRESIDENTIAL TASK FORCE ON WOMEN BUSINESS OWNERS

Goodmorning. My name is Charlotte Taylor. I am the President of Venture Concepts, a Washington, D.C.-based management consulting firm specializing in economic development and small business public policy. I am both a woman business owner and an expert on women business ownership programs in the United States.

I was asked to testify today in order to provide both a historical and a current perspective on this issue. The historical perspective comes from the fact that I directed President Carter's Task Force on Women Business Owners in 1977-78. This Task Force led to Executive Order 12138 and created the current National Policy for Women Business Owners.

As you are aware, this Task Force was mandated by President Carter to look at the barriers facing women business owners and to recommend steps that the Federal government could take to reduce these barriers so that the nation could reap the full economic benefit of this new entrepreneurial sector. Over 60 such recommendations were made. The report of this Task Force, "The Bottom Line: UnEqual Enterprise in America", is still considered to be the most comprehensive discussion of this issue.

I have submitted a copy of that report for the record. The recommendations of this Task Force are attached to my testimony for your use in questioning the Federal witnesses on the progress that has been made in the last decade.

I am sure that you will find from their testimony that little serious effort has been made to implement either the Task Force's recommendations, or to develop new programs which could assist women business owners.

The current perspective about which I was asked to testify comes from the work that my firm, Venture Concepts, performed last year in a study of the status of State and City efforts for women business owners. This eleven-month research project was funded by the U.S. Department of Commerce's Economic Development Administration.

This study examined the current and potential economic development impact of women entrepreneurs in the United States and analyzed both State and City efforts to stimulate the growth of this sector of the economy. It involved an analysis of all 50 state and over 100 city programs for women business owners.

This study represents the first nationwide survey of such programs and has been published in a report entitled "America's Hidden Resource: A Survey of State and City Programs for Women Business Owners". I have submitted a copy of this report for the record.

The key finding of this study is the surprising degree to which the issue of women business ownership is going unaddressed at the State and City level. While many State and local governments are now looking at new venture creation and small business stabilization as a tool for economic development, relatively little attention is being given to either the importance of women business owners, or their special needs, in the development of such economic development strategies.

Women business owners remain invisible to public policy makers. This is despite the press attention to this fastest growing segment of the small business population, and the fact that women now own an estimated 25% of the Nation's small businesses and will own over one-half of such enterprises by the year 2000. The degree to which the job creation and tax generation potential of this vaste new business sector--women-owned businesses-- is being ignored in the public policy arena is evident from the results of our research.

We found that relatively few states, and even fewer cities, were actively creating policies and programs to remove the barriers which impact on the ability of women to operate and grow larger, more prosperous enterprises. Even where programs exist, they are often limited in scope and buried in efforts targeted to other groups, particularly those for minorities. Few are specifically designed to help women overcome the marketplace barriers they face. These barriers are substantial and stem from a society that has, in large part, excluded the majority of women from the mainstream of the U.S. business economy, and provided them with few of the skills and resources needed to compete equally in the American free enterprise system.

The impact of these barriers on business success, and the need for supplemental programs specifically targeted to women to overcome them, is evidenced by the lower than average level receipts of women-owned businesses. While it is true that women are streaming into entrepreneurship, chosing ownership at a rate that is twice that of men, the majority of these women-owned businesses are new and operating on the margin, without the benefit of the capital and technical assistance which could help them survive and prosper. Although women own one-fourth of the small businesses in the country, they earn only one-tenth of all business receipts, and receive less than 1 percent of all Federal procurement dollars.

Yet little is being done by the public sector at the Federal, State, or City level to correct these inequities. Indeed, we found that the more innovative programs came from private sector, nonprofit organizations funded by foundations . However, the majority of these programs concentrated on lower-income and underemployed women, seeking economic self-sufficiency through self-employment. Relatively little attention is being given to the question of how to stimulate the fastest growing entrepreneurial sector of the economy--women-owned business--into larger scale and more successful ventures, thereby increasing the impact such women-owned enterprises have on our Nation's economy.

In the course of the research, we found that less than half (22) of the fifty states and fewer than one-fourth (21) of the over 100 cities contacted have programs for women business owners. Further, few of these programs could be viewed as substantial efforts. Only five states (Louisiana, Illinois, Michigan, New Jersey and Ohio) and one city (Cleveland, Ohio) have specific programs targeted exclusively to women business owners.

A second finding of our study was the narrow scope of the programs that did exist. Most of the programs found merely paralleled existing efforts for minorities and small businesses, targeting women but giving little thought or attention to the development of specific programs which can help them overcome the barriers impeding their business growth. This was particularly so in the two areas in which women say they need assistance most: capital and technical assistance.

Only five of the states (Maryland, Nebraska, New York, Oregan, and Wisconsin) and one city (Phoenix, Arizona) were found to have special capital programs that include a women owned business target. Yet, in many cases, these programs were not relevant to the majority of women-owned businesses because of either loan amount, collateral and equity requirements, or specifications concerning types of business and job creation potential.

The lack of specific sustained technical assistance programs for women business owners was even more apparent. While a great deal of activity is occuring in terms of one-day workshops or business conferences, relatively little effort has been placed on providing the kind of sustained technical assistance women say they need. Only a few states (notablely Michigan, Illinois and New York) have developed such programs or funded private sector organizations to provide such assistance.

Another major finding of the study, and one that is particularly relevant to today's hearings on procurement, was the surprising degree to which both the State and City programs were skewed in the direction of providing government contract opportunities to women, and the degree to which these local programs were impacted by Federal procurement policies.

As you are aware, the Federal government spends masses of money at the State and City level and the procurement policies of these agencies impact on the policies of the local entity. This is particularly true in urban transportation, highway construction, environmental protection, and urban re-development.

Procurement programs were by far the most prevalent programs found, particlarly at the city level. All twenty-one (21) of the city programs were procurement programs, yet few were found to offer services beyond that of monitoring purchasing goals and certifying women-owned businesses for participation. This emphasis on procurement as the major women business owner program in the United States also holds true at the State level. Over half of the 22 state programs have a procurement component.

However, there was little evidence that these programs are working well. Indeed, in many cases, the existance of a procurement program appeared to be almost a red herring and used as an indication that a State or City was "doing something" for women business owners, when, in fact, relatively few women either knew about the program or were able to take advantage of it due to the size or type of business they performed. This situation in not dissimiliar to what we find at the Federal level.

One of the major problems we found with these State and City procurement programs was that they were often added to existing minority business programs where the efforts for minorities overshadowed those for women. Indeed, if anything surfaced in our interviews with State and City officials , it was not only a lack of commitment to the intent of such women owned business targets, but the degree of skepticism and resistance which existed to allowing women to have an equal opportunity to compete even under existing targeted programs.

A prevailing assumption appeared to be that the majority of women-owned businesses are not legitimate, but are "fronts" for a father, husband, brother, son or lover; were not technically qualified to perform the work; or did not exist in the industries sought. In some cases, it was even stated that there was less active outreach and assistance to women than minorities because of the belief that minorities needed the programs more than women.

In general, it appeared that as much time was spent trying to certifying women OUT, than on finding qualified women to include IN a program. Certainly little attention was being given to finding solutions to problems involving bonding, cashflow, bid process, or outreach and education.

In addition, Federal guideance is needed in overcoming the barriers created by community property laws or agency interpretations concerning the impact of co-mingled family assets used to start an enterprise. In some places, married women who own and operate 100 percent of a business cannot be certified as a WBO because they used co-mingled family funds to start they business. Yet the majority of American families co-mingle their incomes, assets, and certainly their checking accounts! Such strict interpretation severely limits the ability of married women to participate in the procurement system.

Yet procurement programs can work, given proper commitment and programs. Cleveland's Female Business Enterprise procurement program is an example of how assistance targeted specfically to women can both produce results and dispel myths concerning the lack of qualified women-owned contractors. Despite relatively high goals for women business owners (5% for concessions to 16% for services), Cleveland placed $5.5 million in contracts with women in 1986, double its stated $3 million goal. Such programs are important in breaking down the barriers that face women business owners. And this needs to be done.

There can be little doubt that women business owners are a vastely underutilized economic resource in the United States, and that the public sector is not addressing the important issue of how to integrate this vital new business sector into our economy.

While women have become important players in America's entrepreneurial resurgence, they still operate outside of our business and economic mainstream. Developing new policies in this area could have major implications for our country's future economic growth.

In 1982, despite the barriers facing them, women-owned businesses generated $98.3 billion in revenues. Today, the level is probably closer to $100 billion. Yet this figure vastely understates the true economic impact of this new business sector. It does not include the revenues from larger corporations, but only sole proprietorships and S corporations. In addition, it does not consider the impact of the turnover of these revenues in local economies. If every dollar generated by a woman-owned firm turns over in the economy 2.5 times, this means that the economic contribution of women-owned businesses equals $250 billion a year in national income. Of this $250 billion, $37 billion is paid to the U.S. Treasury in federal taxes, and another estimated $13 billion is paid in local and state taxes.

With these kinds of economic implications at hand, what better reason is there for developing and implementing a new plan of action dedicated to the growth of women business owners.

Un

The Bottom Line: Equal Enterprise in America

Report of the President's Interagency Task Force on Women Business Owners [June 28, 1978 excerpt]

RECOMMENDATIONS

The President Should Instruct all departments and agencies to institute affirmative action programs for women business owners, recognizing the double discrimination faced by minority women business owners. An individual on the White House staff should be designated to be responsible for this action.

The President Should Issue an Executive Order to create a National Women's Business Enterprise Policy to:*

- Implement federal policy in support of women's business enterprise.
- Coordinate the participation of all federal agencies and departments in a women's business enterprise effort.
- Develop comprehensive plans and specific program goals for women's business enterprise programs.
- Establish regular performance monitoring and reporting systems to assure that goals are being achieved.
- Provide the necessary funding and resources to implement this policy.

Pending the issuance of an Executive Order establishing a Women's Business Enterprise Policy.

The President Should Direct, under the leadership of the Small Business Administration (SBA), the following named agencies and departments to participate in an interagency agreement to promote, foster, and monitor the commitment of resources, information, training and technical assistance to women business owners.

- **Departments of Agriculture, Commerce, Defense; Energy; Health, Education and Welfare, Housing and Urban Development, Interior, Labor, and Transportation.**
- Federal Trade Commission, General Services Administration, National Science Foundation and Small Business Administration.

Additional resources should be provided to SBA for its increased responsibility for new initiatives relating to women-owned businesses.

DATA ASSESSMENT

The President Should Instruct all federal departments and agencies to adopt the following definition of a woman-owned business for data collection and procurement purposes:

> *A woman-owned business is a business that is at least 51 percent owned, controlled and operated by a woman or group of women. Controlled is defined as exercising the power to make policy decisions. Operated is defined as actively involved in the day-to-day management.*
>
> *For the purposes of this definition, businesses that are publicly owned, joint stock associations and business trusts are exempted. Exempted businesses may voluntarily represent that they are or are not women-owned if this information is available.*

The Bureau of the Census should be instructed to undertake a special mail-out survey of businesses that are between 20 and

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*The Federal Trade Commission suggested that should the issuance of a new Executive Order Order not be feasible, that American women be added as a specific group to section 6(a) of Executive Order 11625.

100 percent owned by women according to 1977 business tax returns. This survey should contain data elements (such as age, race, industry, employment history, etc.) which will provide information about business and the woman business owner.

All agencies with business loan programs, particularly the SBA and the Farmer's Home Administration, should be instructed to develop better procedures and systems for loan programs, including, but not limited to:

- The development and implementation of a system for tracking the growth and business health of minority and nonminority women-owned businesses.
- The collection and analysis of statistics, on a quarterly basis, for all loan programs on the number, type and dollar value of business loan requests and approvals for women business owners, the loss rate on loans and the reasons for default; the level of equity in the business on approved loans; and the participation rate in all categories by minority women business owners.
- A determination of the demand for loans by women business owners and use of such information in the development of loan program procedures.

The presentation of a status report on all of the above should be made to the White House Conference on Small Business in January of 1980.

The President Should Instruct the Administrator of the Office of Federal Procurement Policy to compile accurate statistics on the participation of women-owned businesses in government procurement taking into consideration existing data bases to insure maximum utilization and compatibility among agencies, by:

- Systematically collecting government-wide data and monitoring the participation of minority- and nonminority women-owned firms in the contracting and subcontracting procurement process, by using the procurement definition of a women-owned business developed by the Task Force.
- Revising all applicable forms used in the federal procurement process, including Standard Form 129, "Bidder's Mailing List Application," to permit the identification, by sex, of business owners.

All government agencies with responsibilities for education and training for private-sector business management should be instructed to collect data that will identify female/male participation ratios in all government-sponsored and cosponsored education and training programs and to monitor ane evaluate such programs to determine their impact on women.

The SBA should be instructed to accelerate its current efforts to compile a computerized directory of women-owned businesses, indicating the goods/services provided, size, technical capacity and experience of such firms in order to match their capabilities with the government procurement market and to make its directory available to other procurement agencies.

The White House Conference on Small Business, scheduled for January 1980, shoul officially recognize the role in the nation's economy played by women-owned businesses by:

- Appointing both minority and nonminority women committed to the advancement of women business owners to the Conference Planning Council.
- Assuring Conference participation by minority and nonminority women business owners and organizations representing their interests.
- Including the issue of the status of minority and nonminority women as business owners as a subject covered by the Conference and by any state or regional conferences leading up to it.
- Directing federal agencies to prepare reports for the Conference on the vo' ume of assistance to woman-owned firms through contracting, grants, loans and specialized assistance; the steps taken to monitor this volume; and actions taken

to provide equal opportunity for women-owned firms under federal programs.

- Encouraging state governors, as part of state conferences leading up to the White House Conference, to direct state agencies to provide similar data for consideration by their respective state conferences on small business.

- Forming a Council composed of small business owners, women business owners and government policy-level officials to review the data-systems reports following their submission to the White House Conference and to propose changes in individual programs to redesign them according to the needs of women business owners.

The President Should Direct the Women's Bureau within the Department of Labor to act as a clearinghouse for the collection and dissemination of information on the available resources in management training, credit and capital formation, marketing and procurement, and federal programs, and to focus on business ownership as a viable career option. Increased resources should be provided to initiate and implement this new focus.

EDUCATION

The President Should Instruct the Secretary of Health, Education and Welfare (HEW) and other responsible agency heads to make vigorous enforcement of Title IX a priority. In addition, advisory committees at the federal, state and local levels should be balanced with respect to sex and race/national origin and should include people knowledgeable about problems of sex bias and sex stereotyping.

The President Should Instruct the Secretary of Health, Education and Welfare to encourage grant and contract applications from both minority and non-minority women.

In addition:

- All HEW vocational education, career development, employment development and service provider programs should include the authority to prepare minority and nonminority women for business management and entrepreneurship and to perform research in these areas.

- **The Department should continue and expand special research and demonstration projects to identify the unique needs of minority and nonminority women in attaining educational equality, particularly in business related fields.**

- In particular, research efforts of the quality, focus and direction that have been undertaken by the Education and Work Group and the Women's Research Staff in the National Institute of Education should be continued and research concerning vicarious achievement, women's motivation and the problems of sex bias should be expanded in order to implement educational change with particular emphasis on identifying the unique characteristics of women from racial and ethnic minorities.

- Research results should be widely disseminated for the purpose of program development.

The President Should Recommend full funding of the Women's Education Equity Act.

The President Should Encourage state agencies in cooperation with schools of management and business administration and private business and foundations to increase fellowships, scholarships and loans to support formal business training for full- and part-time female students.

MANAGEMENT TRAINING AND TECHNICAL ASSISTANCE

The President Should Direct the SBA to establish management assistance to women business owners as a priority and to accomplish this by:

- Increasing both the number of, and quality of, training of SBA personnel providing management training to women business owners.

- Focusing on the special needs and concerns of minority women.

- Increasing substantially the management-assistance program of the SBA.

- Improving the SBA's management-information system to service its clients.

The President Should Direct the SBA and the Departments of Agriculture, Commerce, Labor and Health, Education and Welfare to develop a coordinated and cohesive effort to deliver increased resources for basic skills and management training for women entrepreneurs and to mobilize existing public- and private-sector resources toward that end.

The President Should Urge the National Science Foundation to begin research efforts on the participation of businesses owned by minority and non-minority women in high-technology growth industries and on ways to develop their greater participation in such industries through training, through the transfer of federally developed technology to businesses owned by minority and non-minority women, and through any other means.

CREDIT AND CAPITAL FORMATION

The President Should Instruct the SBA to improve its loan programs to women business owners by:

- Training, recruiting and appointing SBA bank relations officers, particularly nonminority women and minority women to interact with participating banks and recruit greater bank participation in loan guarantee programs.
- Providing incentives to participating banks to expand their small loans in order to reach women business owners.
- Developing the means to signal the need for management assistance earlier in the life of a loan before default occurs.
- Requesting legislative authority to implement a bank discretionary program, within the loan guarantee program, to authorize selected banks to make guaranteed loans within certain guidelines without prior SBA approval for each individual loan. Banks should be given greater authority to administer the loans and the size standard, particularly with respect to the waiver of loan covenants.
- Targeting a portion of Economic Opportunity Loans to women business owners with a specific percentage set aside for minority women business owners.
- Providing more program emphasis and training to SBA personnel in the areas of financial management, counseling and cash flow projections so they can provide greater and better service to women business owners.
- Working closely with the banking association to encourage their members' active participation and educating them on the financial needs of women business owners.
- Improving the turnaround time on loans.

The President Should Direct the Office of Management and Budget to support SBA's request for increased funding for direct loan programs, with specific targeting for women business owners who may be unable to meet criteria for creditworthiness because of "social or economic disadvantage"

The President Should Urge the Chairman of the Securities and Exchange Commission to program its management information system to include information on the gender of the owners of companies seeking to make initial public offerings of securities.

The President Should Direct the Secretary of Agriculture to target a portion of the Department of Agriculture's business and industrial loan programs to women business owners, providing along with that all necessary management and technical assistance.

The President Should Direct the Secretary of Agriculture to delete the provision from regulation section 1800.42 of the Farmers Home Administration which makes a wife individually and personally liable on a note signed by both spouses regardless of whether the loan is for her benefit.

The President Should Support legislation to restructure SBA's small business investment companies so they can provide more high-risk venture capital to small businesses.

Owners of Small Business Investment Companies (SBICs) should be urged to in woman-owned businesses.

The President Should Instruct the SBA to clarify its procedures so that it is clearly understood that businesses owned by socially or economically disadvantaged women are among those eligible for investment by 301(d) lincensees (MESBICS).

Owners of 301(d) licensees should be urged to invest in women-owned businesses.

MARKETING AND PROCUREMENT

The President Should Direct that the government procurement policies that support small and emerging businesses must be revised to incorporate equal opportunity for women business owners. Such revision should include:

- Recognition that no recommendation for a special 8(a)-type program or special subcontracting programs for women business owners or a set-aside program for women should be made without a condition that the small business set-aside program be increased substantially and more effectively administered.
- Doubling the number of SBA Procurement Center Representatives (PCR) and providing for adequate funding for SBA to hire and train this additional staff.
- Briefing of PCR's and government procurement officers on the President's desire to increase procurement from women-owned firms and the establishment of performance goals for prime contract awards to women-owned businesses.
- Amending section 8(a) of the Small Business Act, if H.R. 11318 is enacted, to require that program eligibility be determined on a case-by-case basis for both minorities and women, rather than by a "rebuttable presumption" for minority groups as currently proposed in the bill. Programs under Section 8(a) should be directed toward toward socially or economically disadvantaged individuals and not toward classes of people. However, if the presumption of group inclusion is adopted for the Section 8(a) program, American women should be designated as one of these groups. The participation of women in the program should be monitored to assure their equitable treatment, until such time as legislation is passed to create a separate program to address similar needs of women business owners.
- The development, under the leadership of the SBA in coordination with other agencies, of objective criteria setting forth the conditions under which individuals may demonstrate social or economic disadvantage.
- A direction to all procurement agencies working through SBA to increase the proportion of contracts to minority women business owners under the 8(a) program.

The revision of government procurement policies should include

- Development of program emphases and targets for women business owners in the federal procurement system.
- Development of programs to ensure that women-owned businesses appear on government bidders lists for contracting opportunities.
- Development of revisions to the bonding provisions in construction, alteration and repair contracts to amend the Miller Act provision for bonding by increasing the threshhold from $2,000 to $25,000.
- Development of a policy to strengthen subcontracting opportunities for women-owned businesses by requiring, as part of the preaward process, that subcontracting above $100,000 but below $500,000 include positive plans to utilize women-owned firms.
- Requesting the Federal Acquisition Institute of the Office of Federal Procurement Policy to address itself in its training responsibilities to foster an affirmative recognition by the federal procurement workforce of the needs of women business owners as contractors and subcontractors.
- Amending directives concerning the Federal grant-making process to state and local governments to recognize the potentials that exist for encouraging set-

aside or local preference procedures for small, minority and woman-owned businesses and that jurisdictions which currently have special programs for small and minority businesses extend their coverage to include women-owned businesses without diminishing resources to either of the aforementioned groups.

LEGISLATION AND REGULATIONS

The President Should Urge the Federal Reserve Board to initiate rulemaking to extend the current record-keeping requirements of section 202.13 and 202.3(e) of Regulation B for business credit records from 90 days to a period that will enable private parties and enforcement agencies to implement the protections provided by the Equal Credit Opportunity Act (ECOA). In conducting this rulemaking, the Board should consider whether recordkeeping requirements should vary for different loan amounts different kinds of assistance or for larger or smaller businesses, in order to ensure that no requirement will decrease the availability of credit to small businesses.

The President Should Urge the Federal Reserve Board to initiate rulemaking to extend the current record-keeping requirements of section 202.13 of Regulation B for business credit records from 90 days to a period that will enable private parties and enforcement agencies to implement the protections provided by the Equal Credit Opportunity Act (ECOA). In conducting this rulemaking, the Board should consider whether recordkeeping requirements should vary for different loan amounts or for larger or smaller businesses, in order to ensure that no requirement will decrease the availability of capital to small businesses.

The President Should Urge the Federal Reserve Board to amend Regulation B to require that all business credit applicants be notified, in writing, at the time of application that

- The provisions of the Equal Credit Opportunity Act ECOA apply.
- The applicant has the right to request the reasons for denial of credit.
- Discrimination based on the race, color, sex, marital status, national origin, religion or age is illegal.

The President Should Urge the Federal Reserve Board to amend Regulation B to prohibit requests for marital status in cases where property owned solely by the business is being used to secure a business loan.

The President Should Urge the Federal Reserve Board, Federal Deposit Insurance Corporation, The Federal Trade Commission, and the Comptroller of the currency to expand their educational efforts directed at creditors by explaining the requirements of ECOA and Regulation B As well as the special problems encountered by women business owners in obtaining credit. In addition, they should encourage creditors to make a special effort in considering credit for women business owners.

The President Should Ask Congress to take the following actions.

- Review veterans' preference programs within agencies with a view toward limiting their use, in order to achieve a more equitable system fair not only to veterans but also women.

- Adopt the amendments to the U.S. Code suggested by the U.S. Commission on Civil Rights in the report, Sex Bias in the U.S. Code. The Commission proposed that a new section be added to Title 1 of the Code as 1 U.S.C Section 106(c) "Sex-neutral (or nondiscriminatory) terminology to be used in all legislative texts." The section requires that all federal laws, regulations and rules be written in sex-neutral terms, unless no neutral substitute exists or unless the provision refers to a physical characteristic unique to a member of one sex.

- Amend Internal Revenue Code 26 U.S.C Section 1402(a) (5)(a) . . . in community-property states all for purposes of Federal taxes. The statutory presumption in favor of the husband be deleted (26 U.S.C. 1402(a)(5)(a)) the gross income and deductions of the owner of a business or trade "shall be treated as the gross income and deductions of the husband unless the wife exercises substantially all of the management and control of such trade or business in which case all such gross income and deductions shall be treated as (that) of the wife. . ."

- Amend 26 U.S.C Section 1402(a) (5) (a) to state that gross business income and deductions are to be attributed to the spouse who actually exercises dominant management and control of the business, and, if amended.

- Amend Internal Revenue Code 26 U.S.C Section 2040(a)—the estate tax code, particularly the provision known as the "widow's tax"—which states that for the purposes of estate tax, the full value of all property held by a husband and wife as joint tenants will be considered to be part of the estate of the spouse who dies first, unless the surviving spouse can prove that she or he inherited the property or contributed to its purchase "in money or money's worth." The Code should be amended to state "For the purposes of this section, services performed by a spouse shall be treated as consideration in money or in money's worth."

The President Should Direct the Internal Revenue Service to adopt Section 1.1402(a)-8 of the federal tax regulations to reflect proposed statutory changes in 26 U.S.C. section 1402 (a)(5)(a).

- Amend Social Security laws to reflect the contributions actually made by both spouses to ensure a fair return of benefits for both spouses rather than having one be a contributor and the other a dependent.

- Amend Title VI of the Civil Rights Act to include the word "sex," after race, color or national origin.

- Amend ECOA to (a) permit the Justice Department to have access to complaints received by the enforcing agencies so that it may file suit in appropriate cases if an agency fails to do so, and (b) permit all enforcement agencies to bring court actions against violators if they so choose, without having to refer cases to the Justice Department.

- Amend ECOA to provide for voluntary, binding arbitration of complaints by credit applicants against lenders as an alternative to the administrative process and litigation, alternatively, the agencies should encourage lenders and applicants to submit disputes to arbitration on a voluntary basis.

- Amend the statute to provide for minimum damages in cases where credit applicants prevail in court.

FEDERAL BUSINESS PROGRAM ASSESSMENT

The President Should Instruct the Secretary of Commerce to

- Direct the Office of Minority Business Enterprise (OMBE) to undertake an outreach effort for minority women business owners.

- Recommend reconsideration of the minority women entrepreneurs program proposed by OMBE, and allocate additional resources necessary for implementation.

- Recommend a new focus on women business owners through the Economic Development Administration's (EDA) University Centers program and to coordinate such a program with other agencies, particularly the SBA.

- Recommend to Congress the allocation of funds to EDA's technical assistance program to develop additional technical assistance and business management skill programs for women business owners in cooperation with other agencies.

The President Should Designate the SBA as the lead agency in developing women's business enterprise in coordination with other agencies and departments. In conjunction with that, SBA should

- Continue its current National Women's Business Ownership campaign.

- **Establish within SBA an Advocate for Women's Business Enterprise, who will be responsible for a major and continuing effort across all government programs for women business owners, with provision for an appropriate budget allocation for such effort.**

- Encourage the Small Business Institutes to recruit more female students as SBI counselors and strive to serve a larger percentage of women business owners and to eliminate the requirement that SBI clients be SBA loan recipients.

- Mobilize private sector support on behalf of the advancement of women-owned businesses in securing a fair share of the nation's business.

- Recruit more women, including minority women, as SCORE/ACE volunteers, and to develop a focus on women entrepreneurs as contractors under its "Call Contractor" program.

The President Should Instruct these other government agencies to take the following actions.

- **The Secretary of the Department of Housing and Urban Development should issue directives to all community development block grant entitlement recipients providing information on the new eligible activities authorized under their 1977 legislation, including the range of project activities that can be undertaken to assist small businesses, eligible local recipients for these project funds and special information on the needs and problems of women business owners and increased business opportunities for minorities and women business owners.**

- **The Office of Management and Budget to: (1) work towards expanding and modifying the Federal Assistance Program Retrieval Service (FAPRS) system so that it provides widely available, up dated and complete information about Federal assistance programs and is able to produce lists of programs available to specific groups such as women; and (2) develop a mechanism for technical assistance to women business owners in areas such as contract interpretation, negotiation, compliance criteria.**

MAY 10, 1988

CONGRESSMAN BILBRAY'S
OPENING REMARKS FOR THE SMALL BUSINESS COMMITTEE HEARINGS ON WOMEN'S BUSINESS ISSUES

ONCE AGAIN MR. CHAIRMAN I CONGRATULATE YOU ON YOUR LEADERSHIP TO HOLD HEARINGS ON WOMEN'S ISSUES. REALIZING THE DIFFICULTY MANY WOMEN HAVE JUST BEING IN THE WORK FORCE, I CAN ONLY BEGIN TO IMAGINE THE COMPLEXITIES WOMEN OWNED BUSINESSES MUST DEAL WITH ON A CONSTANT BASIS.

I ANXIOUSLY AWAIT TODAY'S TESTIMONY IN ORDER TO BETTER UNDERSTAND THE WORLD OF WOMEN OWNED BUSINESSES WITH THE HOPE THAT WE IN CONGRESS HAVE BEEN OF ASSISTANCE; AND IF NOT, THEN WHAT WE CAN DO TO BE OF GREATER HELP.

Statement of Senator Carl Levin
on
Equal Credit Opportunity and Women Business Owners
May 10, 1988

I would like to thank the Committee for the opportunity to express my support of efforts to facilitate and promote the interests of women business owners. I commend the Committee and the participants in these hearings for their work in this area.

My own State of Michigan is well represented today by Barbara Gentry, Director of the Women Business Owner Services Office within the Michigan Department of Commerce. This office has made impressive strides in calling attention to the importance of women owned businesses to the strength of our economy. Moreover, it has been invaluable in pinpointing the obstacles facing such businesses and in assisting women business owners to breakdown and overcome these obstacles.

As a result of work done by this commendable organization, I presented testimony during the 99th Congress to the House Small Business Committee on the Equal Credit Opportunity Act, H.R. 1575. At that time, I was a cosponsor of the Senate legislation, S. 1846. Barbara Gentry and the office under her direction had conducted a series of hearings held across Michigan. The hearings were part of a comprehensive study to determine the problems women face when establishing and/or operating their own business. The study and the hearings brought to the forefront the underlying forces which cause women business owners to compete on a less than level playing field. The vital information from this study was presented to the Committee with recommendations for necessary changes.

The State of Michigan has continued in its praiseworthy efforts on behalf of women business owners. The appearance of Ms. Gentry today to take part in these important hearings is another example of their commitment to this cause.

As a member of the Senate Small Business Committee, I am very pleased with the work being done to strengthen this vital economic base. Women owned businesses are a dynamic force available to diversify and enhance the economy. It makes good economic sense and is sound public policy to make sure these businesses are not undermined by unfair practices.

Prepared Testimony

House Small Business Committee

Reference:

Oversight Hearings

The State of Small Business

1987 Report of the President

Testimony Presented on May 10, 1988

9:00 a.m.

2361 Rayburn Building
Washington, D.C. 20515

Testimony Presented by:

Barbara Gentry, Director
Women Business Owners Services
Michigan Department of Commerce
P.O. Box 30225
Lansing, Michigan 48909
(517) 335-2166

Mr. Chairman and estemeed members of the House Small Business Committee, as the Director of Women Business Owners Services, in Michigan's Department of Commerce and as a business owner for the past 13 years, I want to thank you for this opportunity.

Women Business Owners Services has recently been recognized by the U.S. Department of Commerce as the most outstanding program in the U.S. providing the most comprehensive economic development inititatives for women entrepreneurs. It is from this experience that the following testimony is presented.

Our free enterprise system is based on the premise of equal opportunity for all. But for small businesses in start up or business growth stages, access to capital is not a level playing field. Traditional bank lending policies have a discriminatory impact on young companies which have not accumulated sufficient assets or resources to meet the lender's loan criteria. This is especially true for service sector businesses because they possess few tangible assets which banks require as collateral for most loans.

This banking standard has a disproportionate impact upon women-owned businesses. Eighty-four percent of the businesses owned by women are in the category of service, wholesale or retail. They are the businesses which, in banking terms, have soft assets - companies with little or no tangible assets, such as machinery or equipment. Because women are starting businesses at a rate four times greater than men and continue to be the fastest growing segment of small business, the narrow focus of lending policies artificially harnesses the growth and increased potential for job creation.

These policies have a profound impact in the early stages of women-owned start up businesses. A woman's traditional position in the work force has limited not only her management experience but also her income and, therefore, the amount of collateral or assets she has been able to amass. A well known rule of thumb is, "In order to get money, you must have money." Lenders require borrowers to not only have collateral for loans, usually 1-5:1, but also to invest their own cash or risk into the venture. Women traditionally do not have sufficient assets, access to financial markets, or even access to family assets.

Perceptual discrimination further limits access to capital. In July 1986, Michigan held four public hearings concerning access to capital for women business owners. Testimony given by the 435 women business owners identified one overriding concern. In their opinion, women do not have equal access to credit and are discriminated against in the business and loan process. Lenders perceive women-owned businesses as high-risk investments due to misperceptions about women's ability, experience and commitment to operate successfully. Women are therefore charged excessive amounts of interest and collateral - up to five times the amount of the loan - and co-signatures are required from husbands, fathers, or sons when women have attained personal credit in comparable amounts.

Supporting this testimony, the American Management Association found obstacles disappearing and borrowing suddenly became possible when women approached the banking environment with support or assistance from their spouse, family members or male friends.

A Touche Ross Michigan study surveyed 3,500 women business owners and received responses from 18% (621). This survey showed that while 69% of these women business owners approached banks and lending institutions, only 14% of the capital used to start their enterprises came from lenders, with more than 70% coming from savings and earnings, and another 15% from friends, relatives and private investors.

This reliance on their own earnings and savings, despite the traditionally low earning power of women in the work force, resulted in 80% of the businesses being capitalized at under $20,000. Only 5% of the women in the survey started their businesses with more than $75,000.

These Michigan businesses were not part-time ventures or home-based enterprises with no plans for expansion. The survey showed that 66% of the respondents are corporations, 86% operated full-time ventures and that 80% leased or owned space. Most important, from an economic development perspective, was the fact that almost half (47%) were considering expanding in 1987.

It is critical to point out that the data collected from IRS about the revenue of women business owners is incomplete. The $100-200 billion annual revenues represent sole proprietorships, partnerships and sub chapter corporations only. The data does not reflect the U.S. corporations owned by women. In Michigan in

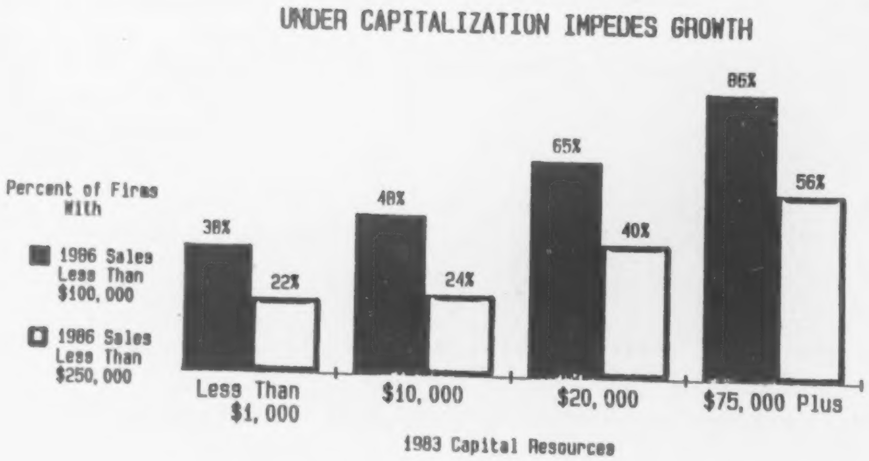
1983, IRS reported that 111,620 women-owned non farm businesses created $1,087,487,000 in sales. The recent Touche Ross survey, polling the top 50 women business owners, indicated that their corporate revenues for 1986 exceeded 867 million. Therefore, the actual economic impact of just these 50 additional corporations would almost double the gross revenues reported by IRS in 1983.

The information learned from the Touche Ross survey regarding collateral in the Michigan study highlights the problems women have accessing traditional sources of capital. This is particularly true in states where the banking institutions are heavily oriented to asset-based lending. Of the 48% who had bank loans, the business owner's plant and equipment were the frequently mentioned (47%) sources of collateral, followed by their house or car (31%) and business-owned receivables (30%). In terms of the level of collateral required, the majority (75%) indicated that the amount was equal to or greater than the sum of the loan, with 36% indicating collateral requirements greater than the loan total. Of those, 42% indicated that the collateral was higher than 200% of the loan amount. Fifteen percent indicated having to offer collateral that exceeded 500% of the loan amount.

As a result of these barriers, the area of greatest risk for women business owners continues to be the necessity to start under capitalized businesses which significantly reduces their ability to be competitive.

GROWTH CAPITAL

The impact of under-capitalization and lack of capital from traditional sources limits the potential of growth for women-owned businesses. As businesses expand, growth capital, the permanent working capital needed to sustain growth, is not available either internally or externally. Data gathered in the Touche Ross survey (see graph below) indicates that 31% of the companies that started with less than $20,000 in capital were grossing over $100,000 in 1986. While 65% of the companies that started with $20,000 or more in 1983 were grossing over $100,000.



During the past year, the National Development Council conducted four intensive financial management classes entitled "Taking Care of Business" for women entrepreneurs in Michigan. Attending were seasoned business owners with a minimum of three years ownership, more than $100,000 in assets and growth oriented. Overwhelmingly, the participants were experiencing the effects of under capitalization and the need for growth capital.

In the Michigan Touche Ross survey, over half (52%) of these Michigan business owners were operating without a bank loan of any kind. Yet, these were not new businesses. Only 8% of the survey respondents had been in business for less than two years. Sixty-four percent had been in existence for at least five years, with 32% of these more than ten years old. In terms of size, 41% of the respondents indicated that their businesses grossed more than $100,000 a year, and 54% employed more than four full-time and part-time employees, in addition to themselves. Almost one-fourth (23%) employed more than ten workers. The major barrier in obtaining capital is again an issue of tangible assets and the perception of risk on the part of the lender.

The SBA (7a) guaranteed loan program was originally designed to assist young businesses in growth stages and encourage lenders to expand their loan portfolio to include riskier companies in early growth stages. However, the guaranteed loan program is designed for fixed asset companies. In recent years it has become even more conservative. Lenders in certain regions now say that the guaranteed loan program's criteria are now so conservative that they are comparable to the bank's existing loan critera.

Nationally, women-owned business start ups are experiencing a growth rate of 9.4% annually. This impact on public policy is profound in terms of growth creation. Yet this extraordinary growth is being artificially restrained by the unavailability of capital.

CAPITAL BEYOND CONVENTIONAL BANK LOANS

Many states are moving to meet increasing market demand for start up or growth capital loans for businesses with few tangible or soft assets. Some of the most creative programs are being developed in Michigan. Through its innovative Michigan Strategic Fund, the state is using scarce public resources not to build a bigger bureaucracy, but to unleash private capital for small business needs and fill existing financing gaps.

The State of Michigan has implemented two major initiatives -- the Capital Access Program and the BIDCO Program -- to increase access to capital for small and medium-sized Michigan businesses. While these programs will have a broader impact, we believe they have special potential for assisting women-owned businesses in obtaining needed capital. Both programs focus on the approach of using limited public resources to leverage large amounts of private capital, and rely on attracting and using private-sector expertise.

The Capital Access Program is a flexible and extremely nonbureaucratic program which gives banks a tool to make business loans that are somewhat riskier than a conventional bank loan, in a manner consistent with safety and soundness. While the program is based on an insuring concept, it is fundamentally different from the traditional type of insurance or guarantee program, such as the SBA 7(a) loan guarantee program. While the SBA Program is based on a loan by loan guarantee, the Capital Access Program is based on a unique portfolio insurance concept. Banks have used the program in many cases to make loans that met their conventional criteria, except for collateral.

To date, 100 companies have been financed under the program since the program's launch in August 1986. This barely scratches the surface of the program's potential. Indeed, the volume of lending has been expanding dramatically in recent months, and is expected to continue to expand. Thus far, some 20% of the loans have been made to women-owned businesses, and new efforts are underway to increase the use of the program for women-owned businesses.

BIDCOs are a new type of licensed and regulated private financial institution which can play a major role in providing unsecured or subordinated debt for growing businesses. BIDCOs are designed to fill business financing needs that are too risky for bank financing but which cannot provide the super high rates of return sought by venture capitalists. While the State of Michigan has taken the lead in catalyzing the formation of this new industry of financial institutions, BIDCOs are based on private market principles, and are depending for their success on private sector talent, decision making and captial. Many other states are looking to copy Michigan's BIDCO Program.

It is anticipated that within five years, a diverse industry of 20-25 BIDCOs will be operating throughout Michigan. One of the BIDCOs in advanced formation stage is a women-owned BIDCO which is identifying its primary market focus as service businesses with soft assets and women-owned businesses.

I would like to submit for the record detailed papers on the Capital Access Program and the BIDCO Program. These papers were prepared by the Michigan Strategic Fund, a state agency which has taken the lead in developing and implementing these programs.

What I want to stress here is the value and market potential of women business owners. Savvy profited-oriented companies in Michigan like Touche Ross Accounting Agency have recognized it. Their commitment is not the least bit altruistic. It is about growth potential - theire as well as their clients. It is imperative that public national policy makers - such as yourselves - think strategically in our changing economy to maximize this resource - the fastest growing segment of small business. Women sole proprietors contribute between 100 and 250 billion dollars to the national economy in spite of all the restrictions mentioned earlier in this testimony. What kind of growth and impact could be created without the hindrances? The strong participation of this vigorous segment not only contributes more diversity and resilience in our economy -- it vests even more actors with a vital stake in staying competitive and an interest in making our national economy strong.

To conclude, I have eight specific recommendations. Their enactment by Federal Regulatory Agencies would do much to open doors now closed to women business owners, and unlock their potential for job creation and economic growth:

1. Adopt a specific affirmative action program to help women business owners overcome traditional lending practices that limit their access to financing.

2. Support the present legislation introduced by Representative John J. LaFalce and Representative Lindy Boggs regarding the Equal Opportunity Credit Act of 1974.

For women-owned businesses, the Equal Credit Opportunity Act of 1974 (ECOA) is a missed opportunity. It had the potential to eradicate barriers that have limited the ability of women-owned businesses to acquire business credit. Although the act requires financial credit institutions to make credit available equally without regard to sex or marital status, many of its provisions have been interpreted not to apply to business transactions.

3. Expand the bank examination process to examine for compliance with the ECOA's prohibition against sex discrimination in business lending and to include data

collection on commercial loans granted or denied to women business owners.

4. Develop a rating system to be incorporated into the examination and implementation of the Community Reinvestment Act to measure the impact of the lenders' loan practices toward satisfying the credit needs of women business owners.

5. Sponsor educational programs instructing lending institutions how to review loan packages for soft asset companies based on cash flow analysis, rather than asset-based financing.

6. Reverse the conservatism of the SBA 7(a) guaranteed loan program and develop new policy that reflects the borrowing needs of today's economy to include soft asset loans particularly for women business owners.

7. Improve the quality and information about small business growth in the United States by expanding the County Business Pattern data to include women-owned status and business type, sole proprietorship, partnership or corporation. (Published by the U.S. Department of Commerce, Bureau of Census.)

8. Enact Legislation authorizing the implementation of a National Capital Access Program, and a National BIDCO Program for women business owners, based on the models being developed so successfully in Michigan.

I look forward to the day when women entrepreneurs are free to focus their energies and talents on growing their businesses and creating jobs, instead of pushing the rock of systematic and perceptual prejudice up the hill again and again. With your help, we can give women business owners the tools they need.

Thank you.

MICHIGAN STRATEGIC FUND CAPITAL ACCESS PROGRAM AND BIDCO PROGRAM

(Business and Industrial Development Corporations)

EXECUTIVE SUMMARY

Women Business Owners in Michigan own 36% of the businesses and are the fastest growing segment of the small business community. Women are starting businesses five times faster then men. It has been projected that women will own 45% of the businesses by 1990.

In spite of this phenomenal growth rate women entrepreneurs' major obstacle in the development and expansion of their businesses is equal access to capital.

In March and May of 1985, Doug Ross, Director of the Michigan Department of Commerce, met with 35 top women business owners from around the state to discuss issues and strategies. The number one concern of this group was their difficulties in obtaining financing.

The testimony given by the women at the four public hearings identified one overriding concern. In their opinion, women do not have equal access to credit and are discriminated against in the business and commercial loan process. Lenders perceive women owned businesses as high risk investments due to misperception about women's ability, experience and commitment to operate successful businesses. Women are charged excessive amounts of interest and collateral (up to 5 times the loan amount) and co-signatures are required even from women who have attained personal credit in comparable amounts. Furthermore, 84% of the businesses owned by women are in the category of service, retail or wholesale, and in banking terms, have "soft assets" which lenders perceive as poor collateral for loans. Therefore, due to the type of buisness owned by women, additional discrimination due to perception is experienced.

Existing laws such as the Equal Credit Opportunity Act prohibit discrimination based upon age, sex, race or religion and have significantly improved womens ability to obtain personal loans. Unfortunately, legislation did not go far enough and due to certain exemptions granted lenders from the requirements of Regulation B of the Federal Reserve Board, have made it easier to deny commercial and business credit to women or offer loans with discriminatory terms.

Women Business Owners Services

In 1983, Women Business Owners Services (formerly called the Office of Women Business Owners) was created within the Michigan Department of Commerce to provide advocacy, exposure, and assistance exclusively to women entrepreneurs. Women Business Owners Services provides:

- A central point of contact for business guidance and problem solving through a toll-free number (1-800-831-9090);
- A full range of technical assistance and financial counseling to emerging and existing businesses;
- Individual assistance in developing a business plan;
- Access to special entrepreneurial and management education programs;
- Procurement services including certification assistance, notification of potential contracts, and help in preparing bids or proposals;
- Access to state and local programs and services devoted to Michigan businesses; and,
- Heightened awareness in the media and the general public of the increasingly significant role of women in Michigan's economy.

Additional Services And Programs Offered By Women Business Owners Services:

A Women Business Owners Directory which includes a comprehensive list of women-owned businesses made available to state, federal, and local procurement offices, as well as other public/private organizations seeking to do business with women entrepreneurs.

A Business Advocacy Program in support of issues relevant to women business owners;

Programs linking banks and financial institutions with private enterprise;

Expertise and Assistance in Establishing a BIDCO (Business and Industrial Development Corporation);

Leadership Opportunities, education, and information about appointments on state boards and commissions;

A Women Business Owners Network to bring about an alliance of women entrepreneurs providing information to foster the use of resources and business expertise in helping their businesses develop and grow;

A Newsletter to publicize business topics and events of special interest to women in business. The newsletter features business tips, trends and articles to heighten public awareness of the economic contributions and importance of women business owners; and,

Conferences and Seminars to provide present and potential women business owners a wide range of technical, managerial, and financial information from private and public sources.

Women Business Owners Services
Michigan Department of Commerce
P.O. Box 30225
Lansing, MI 48909

For additional information
call the Minority Women
Business Hotline:
1-800-831-9090

MICHIGAN

MICHIGAN'S TOP WOMEN-OWNED BUSINESSES

Rank	Company	Owner's Name	Title	Type of Business	Total Revenues (millions) 1986	1985
1	Crain Communications Inc 1400 Woodbridge Ave., Detroit 48207	Gertrude Crain	chmn	publishing	120.0	110.0
2	Acorn Building Components Inc 12620 Westwood Ave., Detroit 48223	Ruth Rich	pres. & chmn	manufacturers of doors and aluminum windows	77.0	65.0
3	SMS Inc 16135 Harper, Detroit 48224	Lene Moses	pres. & c.e.o.	designer, manufacturer and distributor of women's apparel	71.0	45.0
4	Group 243, Inc 1410 Woodridge Ave., Ann Arbor 48105	Janet C. Muhleman	pres	full service advertising agency	*66.1	*45.0
5	Carol Bolio & Associates 2937 Biddle Ave., Wyandotte 48192	Carol A. Bolio	pres	real estate	55.0	33.0
6	Jackson Trotting Association P.O. Box 881, Jackson 49204	Nanette Slavin	pres	harness racing	52.0	51.0
7	Acme Mills Company Inc 5151 Loraine Ave., Detroit 48208	Beth Lowenstein	chmn	OEM upholstery manufacturer	50.0	N/A
8	Century 21 Realty Ltd 1601 E. Grand River, Lansing 48906	Kathleen Gaskin	pres	real estate	40.0	33.0
9	Michigan Rivet Corporation 13201 Stephens Road, Warren 48089	Dorothy Knuppenburg	chmn	manufacturers of fasteners and components for the car industry	36.0	40.0
10	Mars Advertising Company 24209 Northwestern Hwy., Southfield 48075	Marilyn Barnett	pres	advertising	*34.3+	*31.4+
11	Troy Ford 777 John R, Troy 48083	Irma Elder	pres	auto dealership	32.4	25.9
12	Fitzpatrick Electric Supply 444 Irwin Ave., Muskegon 49443	Ruth Wheaton & Josephine Anacker	owners	electric wholesalers	30.0	30.0
13	Hubert Distributors Inc 1200 Auburn Ave., Pontiac 48057	Alice Shotwell Gustafson	pres	wholesale beer, wine and non-alcoholic beverage distributor	26.6	24.6
14	Tom Ryan Distributing Company 3302 Kent St., Flint 48503	Marion W. Ryan	pres	wholesale beer distributor	25.0	21.0
15	Richard Chevrolet Inc 7640 Lewis Ave., Temperance 48123	Beatrice J. Berk	c.e.o.	auto dealer	22.6	21.7
16	Vic Wertz Distributing Company 41900 Vic Wertz Drive, Mt. Clemens 48043	Lucille Wertz	pres	wholesale beer distributor	20.0	19.8
17	Falvey Autos Inc 1815 Maplelawn, Troy 48084	Mary Falvey Fuller	pres	auto dealer and service	20.0	N/A
18	The W W Group Inc 28555 Orchard Lake Road, Farmington Hills 48333	Fionne Mark	pres. & chmn	personal services	18.6	16.1
19	W. T. Andrew Company 15815 Hamilton Ave., Detroit 48203	Patricia Andrew	owner	plumbing and heating wholesaler	18.0	15.7
20	Ferndale Motors Inc 21350 Woodward, Ferndale 48220	Barbara Wilson	pres	auto dealer	17.0	13.0
21	Fairview Construction 1100 Opdyke, Auburn Hills 48057	Beverly Furman	pres	general contractor	15.0	10.0
22	Elkin Travel Inc. & Cruises Only! 25950 Greenfield Road, Oak Park 48837	Annette Langwald	pres	travel	14.5	12.0
23	Universal Systems 1410 E. Stewart Ave., Flint 48505	Helen Dennis	chmn	electrical construction	13.0	13.0
24	Van Horn Inc 1630 Thorncroft, Troy 48084	Leah Van Horn	dir	retailer	12.0	12.0
25	McKenna Industries Inc 2222 Stephenson Hwy., Troy 48083	H. Keene McKenna	chmn	wood models, patterns, mock-ups, CNC machining	11.0	10.0
26	General Television Network 13225 Capital Ave., Oak Park 48237	Joan A. Binkow	c.e.o.	teleproduction	10.9	9.7
27	Detroit Coil Company 2435 Hilton Road, Ferndale 48220	Alice C. Jencks	pres	coil manufacturer	10.6	8.5
28	Kean Manufacturing Corporation 2500 S. Gulley Road, Dearborn 48125	Margaret Campbell	pres	manufacturers of self-piercing fasteners and handling systems	9.7	9.5
29	Kendall Industrial Supplies 702 N. 20th Street, Battle Creek 49015	Beulah I. Kendall	chmn	industrial supply	9.0	9.0
30	Quigley Industries Inc 21547 Telegraph Road, Southfield 48034	Carol Quigley	pres	metal stampings and welded assemblies gauge manufacturer	8.5	6.0
31	Employers Temporary Service Inc 11220 Whittier, Detroit 48224	Joyce Lockhart	chmn	industrial and clerical temporary help	7.5	6.0

*Gross Billings

continued . . .

MICHIGAN'S TOP WOMEN-OWNED BUSINESSES

32	A V S Construction Specialties Inc 3345 Auburn Road Suite 205 Auburn Hills 48057	Kristie Peterson	pres	underground sanitary storm water main installation	7.0	50
33	Schiffer Mason Contractors 2190 Delhi N E , Holt 48842	Margaret A Schiffer	pres	contractor	6.8+	43+
34	Frames Unlimited/Zimdar Enterprises 3343 Lousma Drive Grand Rapids 49508	Dorothy Zimdar	pres	art	6.5	60
35	Fire-Guard Inc 319 Executive Drive Troy 48083	Terri Melnick	treas	fire protection	6.0	60
36	Wolverine Flexographic Mfgng Co 20774 Chesley Dr , Farmington 48024	Kathleen Nagel	chmn	manufacturing	5.8	N/A
37	Ark Electric Supply & Service Co 5101 E Davison Detroit 48212	Agnes Scott	pres	wholesale electric supplier	5.5	22
38	Krasity's Medical & Surgical Supply Inc 1825 Bailey St , Dearborn 48124	Nina Krasity	pres	distributor of medical and surgical supplies	5.5	50
39	Lutz Associates Inc 31000 Northwestern Hwy , Farmington Hills 48333	Diane Chambers Lutz	chmn	multi-faceted communications services	5.5	46
40	Uniforce Temporary Services Inc 1000 S Woodward Birmingham 48024 5200 Northwind Drive East Lansing 48823	Patricia Gray & Alyson Steele	owners	temporary services agency	5.0	50
41	R L Adams Plastics Inc 2450 Buchanan St S W , Grand Rapids 49508	Lilo E Adams	pres	foam extrusion	5.0+	50+
42	Swanson's Cookie Company 330 Upton Ave , Battle Creek 49015	Ruth Venn	pres	cookie manufacturer	5.0+	50+
43	Wells Freight & Cargo 126 E Hudson Royal Oak 48067	Gerry Goodman	pres	retailer	5.0	50
44	Western Waterproofing Company 9960 Freeland Detroit 48227	Evelyn Mazur	pres	construction	4.5	35
45	Diamond Die & Mold Company 35401 Groesbeck Hwy , Mt Clemens 48043	JoAnn Hinds	pres	tool and die	4.0+	25
46	E L Nickell Company Inc 635 Franklin St , Constantine 49042	Lyda L Nickell	pres	refrigeration unit manufacturer	4.0	35
47	Romanow Building Services 3083 Enterprise Drive Saginaw 48603	Marina Romanow	pres	custodial services	3.7+	29
48	R&S Truck Leasing Inc 1651 Walker Road Muskegon 49442	Margaret J Smith	pres	common carrier	3.7	40
49	Bell Broadcasting Company 2994 E Grand Blvd , Detroit 48202	Mary Bell	pres	radio station	3.5	22
50	J Martin Temporaries Plus 793 Airport Blvd , Ann Arbor 48101	Jean Martin	pres	employment services	3.2	10
51	Detroit Air Compressor & Pump 3205 Bermuda Ferndale 48220	Gretchen Bomor Cole	pres	sales/parts/service	3.0	30
52	Detroit First Aid Co Inc 19275 Northline Road Southgate 48195	Jacqueline Fox	pres	medical supplies	3.0	30
53	Edward's Oil Service 530 S Rouge Detroit 49217	Elizabeth Gorecki	pres	oil changing	3.0	30
54	Detroit Bandag Inc 7500 S Dix Detroit 48217	Sue Funk	pres	truck tire service	3.0	30
55	Interior System Contract Group Buhl Building Detroit 48226	Billie Womak	prncpl	interiors	2.8	16
56	Greater Flint Temporary Ltd PO Box 4198 Flint 48504	Charlotte Braunstrom	pres	temporary employment services	2.6	10+
57	Immediate Temporary Health Care 415 Jerome Midland 48640	Sharon Long	pres	health services	2.7	23
58	PR Associates 1600 Penobscot Building Detroit 48226	Beverly Beltaire	pres	public relations	2.5	22
59	Berkley Machine Products Inc 31520 Pamco, Livonia 48150	Louise Cox	v pres	automotive manufacturer	2.5	25

Other Significant Woman-Owned Businesses

Wruble Elevator Inc 224 Water St , Harbor Beach 48441	Marjorie Wruble	pres	elevator company
PK Contracting Inc 1965 Barrett Troy 48084	Patrica Shea	pres	general contractor
Welburn Buick 600 South Main Royal Oak 48067	Rhonda Welburn	pres	auto dealer

*Gross Billings

STATE OF MICHIGAN

JAMES J. BLANCHARD, Governor

MICHIGAN STRATEGIC FUND

P.O. BOX 30234, LAW BUILDING, LANSING, MICHIGAN 48909
(517) 373-7550
PETER PLASTRIK, President

October 1987

BUILDING THE BIDCO INDUSTRY:

Unleashing Private Capital for Business Expansion and Job Creation

Introduction

A new industry of private financial institutions is being built in Michigan designed to help meet the financing needs of small and medium sized Michigan businesses. Many sound businesses are unable to obtain growth capital because their financings are viewed as too risky for conventional bank lending, yet cannot provide the super high rates of return sought by venture capitalists. BIDCOs (business and industrial development corporations) are a new type of licensed and regulated private financial institution well suited to fill this financing gap. High caliber people from the private sector are seizing the entrepreneurial opportunity to form BIDCOs, and substantial private equity investment in BIDCOs has already been raised.

In May 1986, the Michigan BIDCO Act became law. This Act provides for the licensing and regulation of BIDCOs by the Michigan Financial Institutions Bureau. In June 1986, the Michigan Strategic Fund adopted its program to catalyze the formation of BIDCOs by investing up to $2 million per BIDCO, contingent on the BIDCO then raising private equity in at least a 2 to 1 match.

While the State of Michigan has taken the lead in catalyzing the process, the BIDCO Program is based on private market principles, and depends for its success on private sector talent, decision making and capital. And indeed, the private sector is responding to the challenge. Already the Strategic Fund has made commitments to invest in three specific BIDCOs in formation. Numerous other prospective BIDCOs are in the pipeline, and interest by new potential BIDCO organizers continues to increase all the time.

It takes a lot of time and effort to put together a BIDCO. But if the momentum continues to develop, the prospect of having a diverse industry in Michigan of at least 20-25 BIDCOs within 5 years can become a reality.

The Gap Between Banks and Venture Capital

Banks play an important role in the financing of businesses. However, given the nature of their capital structure and their regulation, they face significant constraints in the types of financings that they can provide.

Banks get most of their capital from deposits. By taking deposits, in effect banks borrow money from their depositors, and they do this against a relatively small equity base. Thus the debt to equity ratio for a bank may be roughly 15 to 1. In addition to banks being heavily leveraged financial institutions, they are also heavily regulated institutions, by both state and federal agencies.

As a result of these factors, bank lending to businesses has focused on what can be called the low risk/low return end of the business financing spectrum. Annualized loss rates may run at 1/2 of 1% or less, and normally the interest rate on bank loans will not exceed a few percentage points above prime.

Venture capitalists, on the other hand, focus on what can be called the high risk/high return end of the business financing spectrum. Venture capital partnerships are well suited to take high risk because typically they don't borrow money and thus have a zero debt to equity ratio. Venture capital funds typically invest their capital in an equity form, and may expect to sustain losses on a third of their investments. In judging whether a particular company will qualify for an investment, venture capital funds typically will not even consider making the investment unless there is a prospect of the investment providing a 35%, 40% or 50% compounded annual return.

Because of losses and shortfalls, most investments by a venture capital fund will not actually achieve such rates of return. However, the key point is that venture capital funds will normally not even consider an investment unless they believe there is a prospect for such a return. By targeting a 35%, 40% or 50% compounded annual return on investments, venture capital partnerships seek to actually provide a 20%-25% return to their investors (the limited partners), once losses, shortfalls, overhead, and dilution (from the general partners taking a share of the profits) are taken into account.

Given the dramatic effect of compounding, if a venture capital fund is to obtain a 40% compounded annual return on an equity investment which cashes out after 7 years, the fund must get back more than 10 times its original investment. (if it takes 10 years to cash out, a multiple of 29 to 1 would have to be achieved.) Thus venture capital funds focus their investments on companies with super rapid growth potential that have a prospect of going public or being acquired within a 5 to 7 year period. To a large extent, venture capital partnerships have emphasized high technology companies. Given the criteria used by venture capital funds, the overwhelming majority of companies have no real prospect of attracting venture capital financing.

There is a large gap between the low risk/low return debt financings that banks are positioned to provide, and the high risk/high return equity type financings that venture capitalists provide. Thus many small and medium sized businesses have financing needs that are too risky for conventional bank lending, yet cannot provide the super high rates of return sought by venture capitalists. The financings of many such businesses indeed could meet a private market test on the risk/return spectrum, yet such companies often cannot obtain the financing because there is no existing type of private financial institution well suited to serve this moderate risk/moderate return niche. This is the gap that the emerging BIDCO industry is designed to fill.

From the perspective of economic development and job creation, the moderate risk gap is important to address, because frequently the growth capital needs of small and medium sized businesses fall within this gap. Capital for expanding businesses often falls within this gap because a growing company frequently will not have the collateral to fully back up the financing of its growth. Whereas banks tend to focus on well secured financing, BIDCOs will often take unsecured or subordinated positions. BIDCOs will rely more on cash flow, management competence and performance of its portfolio companies. In addition, compared to banks, BIDCOs will tend to be structured to provide a much greater degree of hands on support and management assistance, in order to reduce risk and facilitate the growth of its portfolio companies.

The Structure of Investments made By BIDCOs

BIDCOs have tremendous flexibility in how they structure financings of businesses. Businesses can receive financing from a BIDCO in the form of straight debt, straight equity, royalties, debt with equity features, or virtually any type or combination of financing that makes sense for both the business and the BIDCO. Given the fact that BIDCOs will be filling the gap between banks, which focus on providing debt financing, and venture capitalists, which emphasize equity financing, in many cases a BIDCO's financings may be in the form of a combination of debt with equity kickers. Equity kickers can take any number of forms, including, for example, warrants to acquire stock, a percentage of net income, a percentage of cash flow, a percentage of sales, or convertible debentures. Whatever the structure, the key concept is that in addition to getting specific interest income from a financing, a BIDCO, through equity kickers, can also share to some extent in the success of the company, in order to appropriately compensate the BIDCO for its risk.

For example, a BIDCO might make a loan of, say, 11% to a company, but with equity kickers targeted so that if the company is successful, the BIDCO may receive an overall 20%-25% compounded annual return on the investment. (It is important to emphasize that this example is illustrative only, and that in addressing the broad gap between banks and venture capital, many other combinations of assumptions are possible.) A 20%-25% return on an individual financing is obviously a lot more than a bank seeks, but much less than a venture capital fund's target rate. And the BIDCO's return can be achieved while still being very affordable to the company, and sensitive to the company's cash flow needs.

Because the type of financing that BIDCOs will provide is different from, and complementary to, that provided by other financing sources, there are many possibilities for complementary relationships, including the potential of doing deals together. As an example, assume that a company needs to borrow $900,000 to accomplish its growth needs. Assume also that $600,000 of this can be supported by strong collateral and could be provided by a bank, if only the additional $300,000 can be raised. In such a situation a BIDCO might put together a package, with the BIDCO providing $300,000 in unsecured subordinated debt and with a bank providing $600,000 in well secured senior debt. The BIDCO's participation makes the whole deal possible. Clearly in this situation the BIDCO is taking more risk than the bank, because of the BIDCO's subordinate position. To compensate for this added risk, the BIDCO takes an equity kicker.

We have identified several good examples of existing financial institutions which are already successfully making numerous investments in this moderate risk/moderate return niche by use of subordinate debt with equity kickers. These examples include: 1) Massachusetts Capital Resource Company, located in Boston; 2) Allied Investment Corporation, located in Washington, D.C., an SBIC subsidiary of Allied Capital Corporation (which is a holding company with a number of financing vehicles); and 3) Capital South Corporation, located in Charleston, South Carolina. While these financing entities provide strong confirming evidence of the market opportunity represented by the moderate risk niche, what is so unique about the BIDCO concept is that instead of being isolated investment companies which happen to make loans in this niche, the BIDCO concept provides a capital structure, regulatory mechanism and focus upon which an entire new industry of financial institutions can be built.

The BIDCO's Capital Structure - Modest Leverage

A key to the ability of BIDCOs to address the moderate risk/moderate return niche, while at the same time achieving a good return to investors in the BIDCO, will be their ability to moderately leverage themselves by borrowing money. Whereas a bank might leverage itself 15 to 1 through deposits, and a venture capital partnership will typically not borrow at all, BIDCOs may seek to achieve debt to equity ratios up to, say, 3 to 1. It is anticipated that this leverage would be achieved gradually over a period of years. The concept is that a BIDCO would start out with capital provided by its equity investors, and develop a portfolio of investments to diversify its risk. At that point the BIDCO would begin to borrow money in stages from major institutional debt sources, achieving increasing leverage as the BIDCO's operating experience and track record justify.

The actual degree of leverage that a BIDCO would achieve over time would depend on many factors, including, for example, the quality of the BIDCO's management team, the BIDCO's market niche, the risk of individual financings, the relationship between average size of loans and total equity, the BIDCO's balance of current income versus future income, and ultimately the BIDCO's actual track record as indicated by loss rates as well as earnings on successful deals. The business plans of some BIDCOs may appropriately contemplate achieving a debt to equity ratio of substantially less than 3 to 1.

Leverage is a crucial factor in a BIDCO's business plan. If a BIDCO borrows money at, say, 11%, and invests those funds with a 20%-25% return, such a margin can dramatically increase the BIDCO's rate of return on its equity capital. By taking advantage of leverage, a well managed BIDCO should typically be able to provide a return to equity investors which is as good as or better than a venture capital partnership would return to its equity investors (its limited partners). Leverage enables the BIDCO to accomplish this without having to target the super high rates of return sought by venture capital funds on individual investments. At the same time, because BIDCOs will be much less leveraged than banks, BIDCOs will be able to take substantially more risk on individual financings than a bank can take.

The Licensing and Regulation of BIDCOs

The licensing and regulation of BIDCOs will be the responsibility of the Michigan Financial Institutions Bureau, the same agency that charters and regulates state chartered banks, savings and loan associations, credit unions and other entities. Unlike bank regulation, the regulatory system created by the Michigan BIDCO Act is not designed to prevent BIDCOs from taking risk on individual financings. The regulatory system, however, does focus on preventing fraud, conflict of interest, mismanagement, and on promoting accurate recordkeeping and appropriate communication with shareholders. The regulatory system is also designed to prevent a BIDCO from investing too much of its capital in any one company. The licensing and regulation system includes annual examinations, and provides real enforcement powers such as cease and desist orders and other tools.

The licensing and regulation of BIDCOs is designed to assist a BIDCO in raising capital by providing comfort to prospective equity investors and debt sources for the BIDCOs. For example, major institutional debt sources such as pension funds, insurance companies and banks, who are all licensed and regulated themselves and have fiduciary responsibilities, will take a measure of comfort in knowing that they are lending to an entity that is also licensed and regulated in a manner to protect their interests. In addition, from a longer term perspective, it is an explicit purpose of the regulatory system to safeguard the reputation of BIDCOs as a class of private financial institutions -- as an industry. This will continue to have benefits in attracting additional capital sources. The concept of development of a strong "industry" identification of BIDCOs is an important concept of the whole program, and the licensing and regulation system supports this theme.

There is an additional explicit benefit that the licensing and regulation provides. As licensed and regulated lending institutions, BIDCOs will be eligible to apply to the United States Small Business Administration (SBA) to become approved lenders under the SBA's 7(a) loan guarantee program. Under this program SBA guarantees up to 90% of a loan, and the guaranteed portion of these loans can be sold on a national secondary market. Using this process, a BIDCO can obtain additional funds for lending, while retaining an interest rate spread between the rate they must pass through to the secondary market purchaser of the guaranteed paper and the interest rate received on the actual loan to the business.

SBA 7(a) loans are pure debt vehicles, and SBA's criteria for guaranteeing loans are generally conservative. For example, they place substantial emphasis on collateral. Thus there is a real limit on the degree to which a BIDCO can use the SBA 7(a) program to address moderate risk growth capital financing needs. However the SBA program can provide a useful means for a lender to stretch out the term to maturity of a financing of a business. The business plans being developed by some BIDCOs in Michigan contemplate use of the SBA program, while others do not plan to use it.

For those BIDCOs for which the SBA program fits in with their business plan, the program has the potential of being a valuable additional tool. In general, however, even for Michigan BIDCOs that plan to take advantage of the SBA program, it is anticipated that a relatively small percentage of the BIDCO's capital will be devoted to this window.

This contrasts sharply with the experience in California, the one other state that has had a BIDCO licensing and regulation statute. The California licensing statute was passed in 1977. To date, the California BIDCOs have exclusively devoted themselves to participating in the SBA 7(a) Program. Prior to 1986, these BIDCOs demonstrated an ability to effectively and profitably use the SBA program. In 1986, Congress enacted legislation to reduce the guarantee percentage from 90% to 85% for loans above $155,000. This substantially reduces the leverage and profitability for a BIDCO making and selling SBA loans. Given this change, and given continued uncertainty regarding additional potential changes in that program, it has been difficult for the California BIDCOs, which have a track record, business plan, and staff geared solely to do SBA loans, to raise additional capital to sustain their volume of lending.

These problems encountered by the California BIDCOs will not be applicable to Michigan BIDCOs, because Michigan BIDCOs will in no way be dependent on the SBA program. While the SBA program has the potential of being a valuable tool as one part of a diversified BIDCO, a business plan heavily dependent on the SBA program would create substantial obstacles.

Potential Sources for Equity Investment in BIDCOs

A basic premise of the BIDCO concept is that investing in a BIDCO can be an excellent investment for institutional investors and wealthy individual investors. The BIDCO niche presents a substantial market opportunity, and the capital structure and regulatory mechanism are well suited to take advantage of this opportunity. If a BIDCO has a good management team and a good business plan, it should present a good long term investment opportunity. Such an investment would have excellent prospects for a good return, and relatively low risk. Potential investors in BIDCOs include, among others, banks, savings and loans, corporations, pension funds, insurance companies, foundations, investment bankers, commercial finance companies, leasing companies, utilities, and sophisticated individual investors. In addition to in-state sources, the emerging BIDCO industry should be able to attract capital from around the country, and even some foreign investment.

In addition to the potential of being a good investment, many of these types of institutional investors may have good strategic reasons for investing in BIDCOs. For example, because of the complementary relationships possible between a bank and BIDCO, with the potential of referring customers to each other and doing deals together, a bank may be interested in investing in one or more BIDCOs in order to help develop such complementary relationships.

The Michigan Strategic Fund's Role

The emerging BIDCO industry is based on strong market principles, and can attract high quality management and substantial private capital to meet a strong market opportunity. The major obstacle is the novelty of the concept. While an excellent case can be made that investing in a BIDCO can be a good long term investment, it is always difficult to raise equity capital for something this new. For this reason, the Michigan Strategic Fund (MSF) is helping to catalyze the formation of BIDCOs by taking a lead role in communicating the vision, providing technical assistance to BIDCO organizers, and being an equity investor in BIDCOs. Under the MSF's BIDCO Investment Program, the MSF will make equity investments of up to $2 million per BIDCO, contingent on the BIDCO organizers then raising at least $2 in private equity for every $1 of MSF investment. In order to emphasize that BIDCOs are private institutions, with private sector management and decision making on investments, the MSF's stock will be nonvoting stock, convertible to voting status if the MSF sells the stock. In addition, in order to express our confidence in our investment decision, and to give a boost to private investors, a portion of the MSF's stock will be subordinate in status to the private equity, in the unlikely event of a failure and liquidation of the BIDCO. The MSF will share fully in upside returns.

The MSF's investment decision is based on a thorough review of the management team and the business plan, and a determination that the investment is a good investment from a private market perspective. This thorough approach is helping the MSF to gain credibility within the private sector, which enhances the value of the MSF's commitment in giving a boost to the private fund raising process. It is also helping to ensure that the BIDCOs actually being formed will be of the highest quality, thus maximizing the prospects for long term growth and success for the Michigan BIDCO industry.

The MSF's long term objective is to catalyze the process of forming BIDCOs, and ultimately to sell its stock in BIDCOs at a profit, leaving behind an industry of permanent private institutions operating without any MSF investment.

Private Sector Response

The private sector response to Michigan's BIDCO Program has been remarkable. Tremendous interest has developed from numerous high caliber people seeking to form and manage BIDCOs. This interest is coming from people with a variety of backgrounds, including, for example, bankers and former bankers, financial consultants, management consultants, investment bankers, accountants, and lawyers. A common link among these people is that their experiences have given them a real appreciation of the financing needs of businesses and the huge market opportunity that exists for a financial institution poised to address the moderate risk niche. They are stimulated by the excitement of creating this new industry, and the entrepreneurial prospect of being well compensated for their efforts, both from salary and a piece of the action. While tremendous interest has already developed in the formation of BIDCOs, we believe that this is only the beginning, and that interest will continue to mushroom.

The MSF originally allocated $12 million of its resources to invest in BIDCOs. Given the tremendous private sector response, the MSF Board, in September 1987, increased this allocation to $24 million. If interest continues to increase, the Board may consider an additional allocation.

To date, the MSF Board has committed to invest a total of $6 million of the $24 million allocation, by committing the maximum $2 million each to three BIDCOs in formation. It is estimated that over the next 10 years, these three BIDCOs will together provide $250 million in financings to Michigan businesses. The three BIDCOs that the MSF has committed to thus far are as follows:

Onset BIDCO, located in Farmington Hills, intends to focus on the financing needs of Michigan businesses which provide innovative products, capital equipment or services to major durable goods manufacturers. Onset is seeking to raise $8 million in private equity capital, a majority of which has already been raised. Chrysler Corporation has made a commitment to invest $4 million in Onset BIDCO. Onset's primary market area will be Southeastern Michigan.

Arcadia BIDCO located in Kalamazoo, intends to focus on the financing needs of a broad base of businesses and industries, primarily serving companies with annual sales ranging from $300,000 to $3,000,000. The primary market area will be the Kalamazoo and Battle Creek metropolitan areas, but Arcadia BIDCO will also serve the entire Southwest Michigan area. Arcadia BIDCO has completed its private fund raising, securing $4 million in private equity, and expects to be operational in the near future.

LGA Capital Resources BIDCO, located in Troy, intends to emphasize the provision of financing for corporate turnarounds. LGA Capital Resources BIDCO will serve primarily Southeastern Michigan, but also expects to finance a substantial number of companies in other parts of the state. LGA Capital Resources is seeking to raise $6 million in private equity.

An important feature of the emerging BIDCO industry in Michigan is the tremendous diversity that is developing among BIDCOs. While a central common theme is addressing the moderate risk niche, within this niche there is substantial diversity. This diversity extends to geography, market niche, size of financings, size of companies being financed, structure of financings, amount of equity capital to be raised, anticipated degree of leveraging, management approach and other items.

Attachments

Attached to this paper is a detailed paper specifying the MSF's parameters for investing in BIDCOs. Also attached is a a copy of the licensing and regulation statute, known as the Michigan BIDCO Act.

STATE OF MICHIGAN

JAMES J. BLANCHARD, Governor

MICHIGAN STRATEGIC FUND

P.O. BOX 30234, LAW BUILDING, LANSING, MICHIGAN 48909
(517) 373-7550
PETER PLASTRIK, President

JUNE 1986

DETAILED PROGRAM PARAMETERS FOR THE MICHIGAN STRATEGIC FUND'S BIDCO INVESTMENT PROGRAM

BIDCO INVESTMENT PROGRAM

BASIC OBJECTIVES

The purpose of the MSF's BIDCO Investment Program is to catalyze the formation of a new industry of private financial institutions in Michigan, designed to fill the middle risk financing gap between conventional bank financing and venture capital financing.

The MSF believes that from a private market perspective, investment in BIDCOs can be good investments, with excellent returns and relatively low risk. However, obtaining initial equity capital for anything novel, such as a BIDCO, can prove difficult. Thus to catalyze the formation of BIDCOs, the MSF is prepared to make equity investments in BIDCOs. If after a rigorous analysis of the business plan and the experience and qualifications of the management team of a prospective BIDCO, the MSF makes a commitment to make an equity investment, the ability of the prospective BIDCO to then raise capital from private equity sources will be enhanced. In addition, in order to express its confidence in the investment, and provide a psychological boost to help the BIDCO obtain private equity investment, the MSF is prepared to take an extra portion of the downside risk in the event of the liquidation of the BIDCO.

A major objective of the MSF is to obtain substantial leverage from the funds that it invests in BIDCOs. In addition to private equity requirements, additional leveraging should be anticipated, such as by the BIDCO being able to borrow money after it has had some operational experience, or possibly through selling the guaranteed portions of SBA guaranteed loans. Ultimately it is the objective of the MSF to sell its stock in a BIDCO at a profit, leaving behind an ongoing, permanent institution operating without any MSF investment.

PARAMETERS OF THE COMMITMENT PROCESS

The MSF will open a window and accept applications from prospective BIDCOs for the MSF to make an equity investment. (The entity applying should have already incorporated.) The MSF may be the first investor to make a commitment, but any MSF investment shall be contingent on the applicant raising the minimum private equity capital specified in the application. Such minimum private equity capital shall be at least $1 million and shall be at least two times the amount requested from the MSF. (For the purposes of this program, private equity capital shall be considered to be equity capital from non-MSF sources.) The MSF's investment will also be contingent on the applicant obtaining a BIDCO license from the Financial Institutions Bureau. The MSF may also include other conditions on its commitment as may be appropriate in a particular case. The MSF will invest up to $2 million per BIDCO.

Commitments made by the MSF under this program shall normally be for a period of anywhere from 6 months to a year. If there is adequate progress towards fulfilling the conditions of the commitment, it is the MSF's intent that extensions will be routine. All commitments and extensions must be approved by the Board of Directors of the MSF.

In order to increase the prospects that limited MSF resources will be used to invest in those BIDCOs where the MSF's investment is having a catalytic effect on the ability to raise private equity, as a general guideline the MSF will limit its investments to BIDCOs in which no more than 50% of the initial private equity capital comes from any one source. However, this guideline may be waived on a case by case basis if there is a strong basis for believing that the MSF's investment is an important element in catalyzing the formation of the BIDCO.

The MSF expects that most of the applications it receives from prospective BIDCOs will be from applicants seeking to run the BIDCO on a fully profit oriented basis. However, the MSF will also consider applications from prospective BIDCOs which have a businesslike mission but with social objectives as well, and thus will not be intended by its private investors to achieve a profit commensurate with the risk. (Such a BIDCO will have to be able to satisfy the statutory requirement, for licensing purposes, that it has a reasonable promise of being a viable, ongoing BIDCO and of satisfying the basic objectives of its business plan.) In such a situation, the MSF may consider, on a case by case basis, a waiver of requirements such as the 2 to 1 minimum ratio of private equity to MSF equity, and the $1 million minimum private equity. Moreover, if the MSF concludes that the stock in such a socially oriented BIDCO is not likely to be marketable for many years into the future, the MSF may consider structuring its investment in such a way so that it eventually has a reasonable prospect of recovering the amount of its investment.

CHARACTERISTICS OF THE MSF's EQUITY INVESTMENT

The MSF's equity investment in a BIDCO will generally be structured to have the same legal status as the main round private investor equity, with two exceptions:

1) The MSF's stock will be non-voting stock. Instead, the MSF will have observation rights, the right to have a representative be present at all meetings of the BIDCO's Board of Directors, to receive all notices and information sent to the Board, and to have the same rights that Board members have to obtain information. If the MSF sells its stock in the BIDCO, the stock shall be convertible upon sale to voting stock, on a par with voting stock held by the main round private investors.

2) A percentage of the MSF's shares of stock shall be subordinate, upon liquidation of the BIDCO, to the private stock. At the minimum 2 to 1 private to MSF leveraging ratio, 20% of the shares purchased by the MSF shall be subordinate. At a 4 to 1 or greater leveraging ratio, 80% of the shares purchased by the MSF shall be subordinate. For a leveraging ratio between 2 to 1 and 4 to 1, the percentage shall be appropriately scaled between 20% and 80%. For example, at 3 to 1, 50% shall be subordinate; at 2.5 to 1, 35% shall be subordinate; and at 3.5 to 1, 65% shall be subordinate.

The applicable leveraging ratio shall be determined by the relative amount of private equity and MSF equity committed as of the time of closing. If an applicant has satisfied the private equity requirement contained in the MSF's commitment, but wishes to reduce the amount to be invested by the MSF in order to increase the percentage of the MSF's shares that will be subordinate, and if such reduction is acceptable to the private investors, the applicant may request the MSF to invest an amount less than the MSF's fully committed amount.

In determining the amount of private investment for the purposes of the $1 million minimum, and to calculate the leveraging ratio, both for the purposes of determining the minimum 2 to 1 ratio and for determining the percentage of shares to be subordinate, only the main round private investor stock shall be included. In other words, founders stock, favorably priced employee stock and seed investor stock shall not be included. Founders stock and favorably priced employee stock shall in fact be subordinate in status to the MSF's stock. However, the MSF's subordinate stock shall also be subordinate to seed investor stock if the MSF determines that the pricing of the seed investor shares is consistent with the risk taken, in comparison with the pricing of main round investor shares.

Any share of the MSF's subordinate stock would be convertible to non-subordinate status if the MSF sells the share for a price which exceeds the original purchase price by a designated percentage. The designated percentage varies in accordance with the leveraging ratio. At a 2 to 1 leveraging ratio, the designated percentage is 15%, whereas at a 4 to 1 or greater leveraging ratio, it shall be 30%. For any leveraging ratio between 2 to 1 and 4 to 1, the designated percentage is computed by taking the original amount of MSF subordinate stock, multiplying by 1.5, dividing by the original amount of main round private investor stock, and expressing the resulting proportion as a percentage. The rationale behind this formula is that if the stock has appreciated in value by the designated percentage, that is an indication that the original cushion provided to the private investors by the MSF's subordinate status is no longer needed.

While commitments for the MSF's equity investment and private equity matching requirements shall be obtained prior to the BIDCO obtaining its license, the actual timing of the purchase of equity securities may be phased in, as specified in the BIDCO's fund raising plan. If the main round private equity capital is phased in over a period of time, the MSF's equity investment would, in general, be phased in on a similar schedule.

OPERATING REQUIREMENTS

During the period when the MSF owns stock in a BIDCO, the BIDCO shall operate in accordance with the following parameters.

1) The BIDCO shall provide financing assistance only to business firms located in Michigan. If the business firm has multi-state operations, the criterion that shall be used by the BIDCO is whether or not Michigan is the state where the largest economic benefit of the financing transaction is likely to occur.

2) The BIDCO shall endeavor to maintain as its primary focus, in providing financing assistance, the ability to address the gap between low risk conventional bank financing and high risk venture capital financing.

3) Without the consent of the MSF, the BIDCO shall not apply to the Commissioner of the Financial Institutions Bureau to surrender the BIDCO's license pursuant to Section 317 of the Michigan BIDCO Act.

The MSF may negotiate additional operating requirements with BIDCOs on a case by case basis, as needed to safeguard the quality of the MSF's investment or to promote achievement of the objectives of the program or the Michigan Strategic Fund Act.

APPLICATION REQUIREMENTS

To apply to the MSF for a commitment to invest, a prospective BIDCO shall submit detailed information covering three main categories: 1) fund raising; 2) experience and qualifications of the proposed management team, and 3) the business plan for the BIDCO. The following sections specify in more detail the information that should be covered. While these sections provide a possible format, the applicant should in no way feel bound by this format. The applicant can use its own format, as long as the basic information is provided. Moreover, the applicant should feel free to provide additional information which is viewed as relevant. The MSF may request additional information beyond what is specified below.

Fund raising

1. Specify the amount of MSF commitment sought.

2. Specify the minimum amount of private equity to be raised if the MSF makes the commitment requested in #1 above. Specify the maximum amount of private equity to be raised.

3. Describe the basic legal structure of the various proposed classes of equity investment in the BIDCO, including positioning, pricing, voting control, and any other major parameters. This should be in enough detail to give the MSF a good overview of what is contemplated. However, this does not require the presentation to be in a formal private placement memorandum format. If a formal offering document is not presented, the MSF's commitment to invest shall be subject to approval of the formal offering document by the staff of the MSF and by the Attorney General's office.
4. Describe and discuss the applicant's fund raising strategy for raising the private equity.

5. Specify the principal investor sources that the applicant will be targeting.

6. What is the applicant's basic pitch to prospective private investors. What expectations and objectives is the applicant specifying. This includes, for example, representations regarding reasonably expected returns on private equity investment, indirect financial benefits, if any, and social purposes, if applicable.

7. List any specific financing commitments already obtained, including documentation for each.

8. Describe specific demonstrations of interest from private investor sources, including documentation where possible.

9. Describe fund raising experience of peopled involved or to be involved in fund raising. Describe key fund raising contacts.

10. Specify your projected timetable, with milestones for completion of the fund raising and obtaining a license.

11. Specify whether you anticipate taking in all of the committed equity investment at closing, or whether you plan a phase in. If a phase-in is planned, specify the proposed schedule. It is permissible to have different scenarios based on the actual amount of equity capital raised.

12. Specify your start-up budget, including funds already expended and a detailed projected budget for completion of the fund raising. Specify the person or people who will be working on the startup phase, including how much of their time they will spend; how, if at all, they will be compensated; and their resumes and references. List your seed investors, if any, with amounts invested and number of shares of stock owned. Specify any additional amount of seed capital you are seeking, including a discussion of possible sources.

Experience and Qualifications

1. Submit resumes, references, and personal financial statements for all principal members of the management team that are identified.
2. Describe the proposed responsibilities of each of the principal members of the management team that have been identified. If any of these people will not be full time, describe their other activities.
3. Describe the responsibilities of any principal management position for which a person has not been identified.
4. Specify any directors that have been identified, and submit resumes.
5. Identify any other key people that have been identified, including any advisors, consultants, attorneys and accountants, and submit resumes and/or descriptions of firms.

Business Plan

1. Market

a. Describe and discuss the types of businesses that the BIDCO will finance. Discuss the extent to which the BIDCO intends to specialize in certain industries, or whether a more broad based approach is planned.

b. Describe the size range of businesses that it is contemplated the BIDCO will finance, with a general indication of where most of the focus is expected.

c. Discuss the life cycle stage or stages of the companies which the BIDCO will likely finance, with an indication of where most of the focus is contemplated.

d. Discuss the geographic area in which the BIDCO plans to focus. Specify the city or county in which the BIDCO's principal office is planned to be located, and discuss intentions, if any, to establish any additional offices.

e. Provide any market analysis that you deem relevant.

2. Financings - Describe and discuss the financing instruments that are intended to be used by the BIDCO (e.g. debt with equity features, royalty, equity, pure debt (with SBA or not), etc.). Discuss the anticipated mix of the various types of financing instruments. Discuss the anticipated size range of loans/investments to be made, and information regarding pricing, term, and other conditions. Discuss risk/return expectations on deals. Discuss methods of exit from investments.

3. Marketing Strategy - Describe the BIDCO's plans and approach to marketing its services, including the identification of potential applicants for financing assistance.

4. Screening Process & Evaluation Criteria - Discuss the anticipated number of buisiness firms that will be reviewed for possible financing assistance, in comparison with the number that will actually be financed. Discuss the approach to screening business firms, and the evaluation criteria for deciding whether and under what terms and conditions to provide financing assistance.

5. Fee Income - Discuss the potential for fee income, and any plans that the BIDCO might have for generating fee income.

6. Management Assistance - Discuss the plans of the BIDCO to provide management and/or technical assistance to companies for which the BIDCO provides financing. Discuss the BIDCO's plans for monitoring its financings, and enforcing provisions of loan or investment agreements. Discuss how the BIDCO plans to handle problem loans and investments. Discuss the BIDCO's plans to provide management assistance to companies that the BIDCO is not financing.

7. Complementary Relationships - Discuss the nature of complementary relationships that are anticipated with banks, commercial lenders, investment bankers, venture capitalists and other institutions. This discussion can be based on general types of institutions and/or can identify specific institutions where complementary relationships have already been discussed.

8. Management Structure - Describe the proposed management structure for the BIDCO, and anticipated compensation for principal members of the management team.

9. Capital Structure - Leverage - Discuss the BIDCO's plans and prospects for leveraging its equity capital, by borrowing money, use of the SBA guarantee secondary market, or other approaches. With respect to borrowing money, what degree of leverage would the BIDCO seek and over what time period? What sources for debt financing do you anticipate? How would you seek to structure the debt? If use of the SBA program is contemplated, discuss your approach to this activity and analyze its potential profitability. If you are relying heavily on the SBA guarantee program, what is your fallback if the SBA guarantee program is eliminated or its effectiveness significantly curtailed.

10. Idle Funds - Describe plans for the management of the idle funds of the BIDCO.

11. Realization of Returns By Investors - Discuss long term plans and options for providing a tangible return to the investors in the BIDCO (e.g. dividends? go public? be acquired?)

12. Tax and Accounting Issues - Discuss relevant tax and accounting issues for the BIDCO.

13. Financial Projections

    a) Provide a detailed operating budget for the first three years of the BIDCO's operation. The first year shall be month by month. The second and third years may be presented on an annual basis.

    b) Provide performance projections, year by year, for a 10 year period. These projections should show cash flow, income and expense (including taxes), and balance sheet data. For these performance projections, operating expenses can be consolidated into one line item.

    c) Specify the assumptions used for the performance projections. It is permissible to submit several sets of performance projections based on differing assumptions. However, if you submit several sets of projections based on differing assumptions, specify which set of assumptions are your primary assumptions.

    d) Specify computer programs used for the projections, and specify formulas used.

EVALUATION STANDARDS

In order to obtain a commitment from the MSF, an applicant must satisfy a number of standards, which are spelled out below. The MSF is free to make whatever investigations are needed in order to determine whether an applicant satisfies these evaluation standards. The MSF may suggest or negotiate changes in the proposal that may be needed in order to satisfy the standards. The standards are as follows:

1. Objectives - The MSF's prospective commitment to invest, and subsequent investment, must promote the basic objectives of this BIDCO investment Program and the Michigan Strategic Fund Act.

2. Good Investment - An equity investment in the BIDCO needs to be judged by the MSF as being a good investment from a private market perspective, with expected returns being commensurate with the risk taken. However, BIDCOs which have a social objective in addition to a businesslike mission, and will thus not be intended by its private investors to achieve returns commensurate with the risk, will not be disqualified on the basis of this criterion if the social orientation of the BIDCO\sufficiently furthers the objectives of the Michigan Strategic Fund Act, and if the applicant will be able to satisfy the statutory standard for obtaining a license which provides that the applicant must have "reasonable promise of being a viable, ongoing BIDCO and of satisfying the basic objectives of its business plan."

3. Good Business Plan - The applicant must have a good business plan. The business plan must be thorough, clear, have reasonable assumptions, identify realistic markets which indicate good market opportunities, and demonstrate thoughtfulness and grasp of issues. The various aspects of the business plan need to mesh well with each other and be internally consistent. Capitalization needs to be appropriate to the tasks identified in the business plan. The financial projections need to be accurate, be based on realistic assumptions, and be consistent with the business plan.

4. Good Management Team - The management team, and supporting people (e.g. consultants, advisors, legal and accounting) as may be applicable, need to demonstrate appropriate experience, education and training, and standing and contacts within the business and financial community, which indicate an ability to successfully manage the BIDCO. In oral discussions, there needs to be evidence of thoughtfulness, insights and grasp of issues. At the time of the MSF's investment, all necessary skills needed to run the BIDCO will need to be available. These skills include, for example, overall leadership, financial analysis, ability to evaluate potential financings, marketing, and management assistance. The management team should have appropriate balance, and contain skills that fit well with the tasks called for in the business plan. There must be good evidence of strong personal commitments to the success of the

BIDCO. Salaries and deferred compensation through stock ownership, profit sharing plans, stock option plans, etc. need to be reasonable to provide fairness to investors, but should also indicate that management's stake in the success of the BIDCO will be adequate to provide reasonable incentives.

5. Probability of Raising Required Private Equity - Satisfactory evidence must be presented to indicate that if the MSF makes a commitment to invest, it is probable that the applicant will be able to raise the minimum required private equity capital. Since investors will be looking to the quality of the management team and business plan, the better the performance on these measures, the better will be the prospects for raising the capital. However evaluation of information specifically relating to fund raising is also necessary to appropriately assess the prospects of raising private capital. The evidence provided can take a variety of forms. Documentation of commitments or demonstrations of interest can be very useful and positive, but are not a necessity. A prior fund raising track record by key people can also provide substantial evidence. Examples of additional factors that can improve the chances for fund raising success include the personal relationships and contacts of the founders, the appropriateness of proposed funding sources, the relationship between the market to be served by the BIDCO and the funding sources, the potential for complementary activities with funding sources that provide investment value beyond the profitability of the investment, and existence of supporters of the BIDCO who may be able to influence investment. The MSF must also conclude that adequate resources are likely to be available to the applicant to fund the process of raising capital and obtaining the license.

Act No. 89
Public Acts of 1986
Approved by the Governor
May 1, 1986
Filed with the Secretary of State
May 1, 1986

STATE OF MICHIGAN
83RD LEGISLATURE
REGULAR SESSION OF 1986

Introduced by Senators DeMaso, Kelly, Gast and Irwin

ENROLLED SENATE BILL No. 564

AN ACT to promote economic development by providing for the licensing and regulation of business and industrial development corporations; to provide penalties; and to repeal certain acts and parts of acts.

The People of the State of Michigan enact:

ARTICLE 1
SHORT TITLE, PURPOSES, AND DEFINITIONS

Sec. 101. This act shall be known and may be cited as the "Michigan BIDCO act".

Sec. 102. The purposes of this act are to do all of the following:

(a) Promote economic development by encouraging the formation of business and industrial development corporations, a new type of private institution, to help meet the financing assistance and management assistance needs of business firms in this state.

(b) Provide for a system of licensing, regulation, and enforcement that will enable business and industrial development corporations to satisfy eligibility requirements to participate, if they so choose, in the program of the small business administration pursuant to section 7(a) of the small business act, Public Law 85-536, 15 U.S.C. 636(a), and other programs for which they may be eligible.

(c) Provide for a system of licensing, regulation, and enforcement designed to prevent fraud, conflict of interest, and mismanagement, and to promote competent management, accurate record keeping, and appropriate communication with shareholders; in order to provide the following:

(*i*) Comfort to prospective shareholders so as to facilitate equity investments in business and industrial development corporations.

(*ii*) Comfort to prospective debt sources so as to facilitate the borrowing of money by business and industrial development corporations.

(d) Safeguard the general reputation of business and industrial development corporations as a type of institution in order to increase the confidence of prospective equity investors in and prospective debt sources for those institutions.

(e) Eliminate unnecessary restrictions which have discouraged the formation of business development corporations under Act No. 117 of the Public Acts of 1963, by repealing that act and substituting a more flexible regulatory framework.

Sec. 103. For the purposes of this act, unless the context clearly indicates otherwise, the words and phrases defined in sections 104 to 106 have the meaning ascribed to them in those sections.

Sec. 104. (1) "Affiliate" means, if used with respect to a specified person other than a natural person, a person controlling or controlled by that specified person, or a person controlled by a person who also controls the specified person.

(2) "BIDCO" means a business and industrial development corporation licensed under this act.

(3) "Business firm" means a person that transacts business on a regular and continual basis, or a person that proposes to transact business on a regular and continual basis.

(4) "Commissioner" means the commissioner of the financial institutions bureau of the department of commerce.

(5) "Control" means, if used with respect to a specified person, the power to direct or cause the direction of, directly or indirectly through 1 or more intermediaries, the management and policies of that specified person, whether through the ownership of voting securities; by contract, other than a commercial contract for goods or nonmanagement services; or otherwise. A natural person shall not be considered to control a person solely on account of being a director, officer, or employee of that person. A person who, directly or indirectly, owns of record or beneficially holds with power to vote, or holds proxies with discretionary authority to vote, 20% or more of the then outstanding voting securities issued by a corporation shall be rebuttably presumed to control that corporation.

(6) "Controlling person" means, if used with respect to a specified person, a person who controls that specified person, directly or indirectly through 1 or more intermediaries.

(7) "Corporate name" means the name of a corporation as set forth in the articles of incorporation of that corporation.

Sec. 105. (1) "Incorporating statute" means the act under which a licensee is incorporated, either the business corporation act, Act No. 284 of the Public Acts of 1972, being sections 450.1101 to 450.2099 of the Michigan Compiled Laws, or the nonprofit corporation act, Act No. 162 of the Public Acts of 1982, being sections 450.2101 to 450.3192 of the Michigan Compiled Laws.

(2) "Insolvent" means a licensee that ceases to pay its debts in the ordinary course of business, that cannot pay its debts as they become due, or whose liabilities exceed its assets.

(3) "Interests of the licensee" includes the interests of shareholders of the licensee.

(4) "License" means a license issued under this act authorizing a Michigan corporation to transact business as a BIDCO.

(5) "Licensee" means a Michigan corporation which is licensed under this act.

(6) "Michigan corporation" means a corporation incorporated under the business corporation act, Act No. 284 of the Public Acts of 1972, or the nonprofit corporation act, Act No. 162 of the Public Acts of 1982.

(7) "Michigan nonprofit corporation" means a corporation incorporated under the nonprofit corporation act, Act No. 162 of the Public Acts of 1982.

Sec. 106. (1) "Officer" means:

(a) If used with respect to a corporation, a person appointed or designated as an officer of that corporation by or pursuant to applicable law or the articles of incorporation, or bylaws of that corporation, or a person who performs with respect to that corporation functions usually performed by an officer of a corporation.

(b) If used with respect to a specified person other than a natural person or a corporation, a person who performs with respect to that specified person functions usually performed by an officer of a corporation with respect to that corporation.

(2) "Order" means an approval, consent, authorization, exemption, denial, prohibition, or requirement applicable to a specific case issued by the commissioner. Order includes a condition of a license and an agreement made by a person with the commissioner under this act.

(3) "Person" means an individual, proprietorship, joint venture, partnership, trust, business trust, syndicate, association, joint stock company, corporation, cooperative, government, agency of a government, or any other organization. If used with respect to acquiring control of or controlling a specified person, person includes a combination of 2 or more persons acting in concert.

(4) "Principal shareholder" means a person that owns, directly or indirectly, of record or beneficially, securities representing 10% or more of the outstanding voting securities of a corporation.

(5) "Subject person" means a controlling person, subsidiary, or affiliate of a licensee; a director, officer, or employee of a licensee or of a controlling person, subsidiary, or affiliate of a licensee; or any other person who participates in the conduct of the business of a licensee.

(6) "Subsidiary" means, if used with respect to a licensee, a company or business firm which the licensee holds control of as permitted by section 507(1)(b), (c), or (d).

(7) "This act" includes an order issued or rule promulgated under this act.

ARTICLE 2
REGULATION, REPORTING, AND EXAMINATION

Sec. 201. (1) The commissioner shall administer this act. The commissioner may issue orders and promulgate rules that, in the opinion of the commissioner, are necessary to execute, enforce, and effectuate the purposes of this act. Any rules promulgated shall be promulgated in accordance with the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws.

(2) Whenever the commissioner issues an order or license under this act, the commissioner may impose conditions that are necessary, in the opinion of the commissioner, to carry out this act and the purposes of this act.

(3) The commissioner may honor applications from interested persons for declaratory rulings regarding any provision of this act.

(4) Every final order, decision, license, or other official act of the commissioner under this act is subject to judicial review in accordance with law.

Sec. 203. An application filed with the commissioner under this act shall be in such a form and contain such information as the commissioner may require.

Sec. 205. (1) The commissioner may make public or private investigations within or outside this state that the commissioner considers necessary to determine whether to approve an application filed with the commissioner under this act, to determine whether a person has violated or is about to violate this act, to aid in the enforcement of this act, or to aid in issuing an order or promulgating a rule under this act.

(2) For purposes of an investigation, examination, or other proceeding under this act, the commissioner may administer oaths and affirmations, subpoena witnesses, compel the attendance of witnesses, take evidence, and require the production of books, papers, correspondence, memoranda, agreements, or other documents or records which the commissioner considers relevant or material to the proceeding.

(3) If a person fails to comply with a subpoena issued by the commissioner or to testify with respect to a matter concerning which the person may be lawfully questioned, the circuit court for Ingham county, on application of the commissioner, may issue an order requiring the attendance of the person and the giving of testimony or production of evidence.

Sec. 207. Service of process authorized to be made by the commissioner in connection with a noncriminal proceeding under this act may be made by registered or certified mail.

Sec. 209. (1) A fee shall be paid to, and collected by, the commissioner, as follows:

(a) The fee for filing an application for a license is $2,500.00.

(b) The fee for filing an application for approval to acquire control of a licensee is $1,250.00.

(c) The fee for filing an application for approval for a licensee to merge with another corporation, an application for approval for a licensee to purchase all or substantially all of the business of another person, or an application for approval for a licensee to sell all or substantially all of its business or of the business of any of its offices to another licensee is $1,250.00. If 2 or more applications relating to the same merger, purchase, or sale are filed, the fee for filing each application shall be the quotient determined by dividing $1,250.00 by the number of the applications.

(d) The annual fee for a licensee is $2,500.00, payable at a time prescribed by the commissioner.

(e) Whenever the commissioner examines a licensee or a subsidiary of a licensee, within 10 days after receiving a statement from the commissioner, the licensee shall pay a fee established by the commissioner based on the number of examiner hours used for the examination, plus travel expenses. Examiner time shall be billed at a rate not less than $25.00 per hour and not more than $40.00 per hour.

(2) A fee for filing an application with the commissioner is nonrefundable and shall be paid at the time the application is filed with the commissioner.

(3) A fee collected under this section shall be paid into the state treasury to the credit of the financial institutions bureau of the department of commerce, and money in this account shall be used only for the operation of the financial institutions bureau.

Sec. 303. (1) After a review of information regarding the directors, officers, and controlling persons of the applicant, a review of the applicant's business plan, including at least 3 years of detailed financial projections and other relevant information, and a review of additional information considered relevant by the commissioner, the commissioner shall approve an application for a license if, and only if, the commissioner determines all of the following:

(a) The applicant has a net worth, or firm financing commitments which demonstrate that the applicant will have a net worth when the applicant begins transacting business as a BIDCO, in liquid form available to provide financing assistance, that is adequate for the applicant to transact business as a BIDCO as determined under subsection (2).

(b) Each director, officer, and controlling person of the applicant is of good character and sound financial standing; each director and officer of the applicant is competent to perform his or her functions with respect to the applicant; and the directors and officers of the applicant are collectively adequate to manage the business of the applicant as a BIDCO.

(c) It is reasonable to believe that the applicant, if licensed, will comply with this act.

(d) The applicant has reasonable promise of being a viable, ongoing BIDCO and of satisfying the basic objectives of its business plan.

(2) In determining if the applicant has a net worth or firm financing commitments adequate to transact business as a BIDCO, the commissioner shall consider the types and variety of financing assistance that the applicant plans to provide; the experience that the directors, officers, and controlling persons of the applicant have in providing financing and managerial assistance to business firms; the financial projections and other relevant information from the applicant's business plan; and whether the applicant intends to operate as a profit or nonprofit corporation. Except as otherwise provided in this act, the commissioner shall require a minimum net worth of not less than $1,000,000.00 and not more than $10,000,000.00. The commissioner may require a minimum net worth of less than $1,000,000.00, but not less than $500,000.00, if, in the context of the applicant's business plan, the initial capitalization amount is adequate for the applicant to transact business as a BIDCO because of special circumstances including, but not limited to, funded overhead, low overhead, or specialized opportunities.

(3) For the purposes of subsection (1), the commissioner may find any of the following:

(a) That a director, officer, or controlling person of an applicant is not of good character if the director, officer, or controlling person, or a director or officer of a controlling person, has been convicted of or has pleaded nolo contendere to a crime involving fraud or dishonesty.

(b) That it is not reasonable to believe that an applicant, if licensed, will comply with this act, if the applicant has been convicted of or has pleaded nolo contendere to a crime involving fraud or dishonesty.

(4) For purposes of subsection (1), subsection (3) shall not be considered to be the only grounds upon which the commissioner may find that a director, officer, or controlling person of an applicant is not of good character or that it is not reasonable to believe that an applicant, if licensed, will comply with this act.

Sec. 305. (1) A person may apply to the commissioner for preliminary approval of an application for a license. Notwithstanding that commitments to invest in the equity of the applicant have not been obtained and that all directors and officers of the applicant have not been identified, the commissioner may grant preliminary approval. In issuing an order granting preliminary approval, the commissioner shall indicate that, for the commissioner to determine that the requirements of section 303 are satisfied, final approval is conditioned on review by the commissioner of the applicant's completion of fund-raising, including the controlling persons, and review by the commissioner of the completion of the roster of directors and officers. If an application for preliminary approval has been granted, before granting final approval of the application for a license, the commissioner may request an updated balance sheet and such other information considered relevant by the commissioner.

(2) If a person files an application under this section, the fee required by section 209(1)(a) is payable at the time the application is filed with the commissioner.

Sec. 307. If the commissioner denies an application under sections 301 to 305, the commissioner shall provide the applicant with a written statement explaining the basis for the denial.

Sec. 309. If an application for a license is approved and all conditions precedent to the issuance of that license are fulfilled, the commissioner shall issue a license to the applicant. A licensee shall post the license in a conspicuous place in the licensee's principal office. A license is not transferable or assignable.

Sec. 311. (1) Except as otherwise provided in subsection (2), a person transacting business in this state, other than a licensee, shall not use a name or title which indicates that the person is a business and industrial development corporation including, but not limited to, use of the term "BIDCO", and shall not otherwise represent that the person is a business and industrial development corporation or a licensee.

Sec. 211. (1) A licensee shall make and keep books, accounts, and other records in such a form and manner as the commissioner may require. These records shall be kept at such a place and shall be preserved for such a length of time as the commissioner may specify.

(2) The commissioner may require by order that a licensee write down any asset on its books and records to a valuation which represents its then value.

(3) Not more than 90 days after the close of each calendar year or a longer period if specified by the commissioner, a licensee shall file with the commissioner an audit report containing all of the following:

(a) Financial statements, including balance sheet, statement of income or loss, statement of changes in capital accounts, and statement of changes in financial position or, for a licensee that is a Michigan nonprofit corporation, comparable financial statements for, or as of the end of, the calendar year, prepared with an audit by an independent certified public accountant or an independent public accountant in accordance with generally accepted accounting principles.

(b) A report, certificate, or opinion of the independent certified public accountant or independent public accountant who performs the audit, stating that the financial statements were prepared in accordance with generally accepted accounting principles.

(c) Other information that the commissioner may require.

Sec. 213. (1) If a person other than a licensee makes or keeps the books, accounts, or other records of that licensee, this act applies to that person with respect to the performance of those services and with respect to those books, accounts, and other records to the same extent as if that person were the licensee.

(2) If a person other than an affiliate or subsidiary of a licensee makes or keeps any of the books, accounts, or other records of that affiliate or subsidiary, this act applies to that person with respect to those books, accounts, and other records to the same extent as if that person were the affiliate or subsidiary.

(3) If the commissioner considers it expedient, the commissioner may require any particular licensee to obtain the approval of the commissioner before permitting another person to make or keep any of the books, accounts, or other records of the licensee.

Sec. 215. Each licensee, each affiliate of a licensee, and each subsidiary of a licensee shall file with the commissioner such reports as and when the commissioner may require. A report under this section shall be in such a form and shall contain such information as the commissioner may require.

Sec. 216. (1) The commissioner shall publish annually and provide to the house committee on economic development and energy and senate committee on economic development, trade and tourism information on the impact of this act in promoting economic development in this state. At the minimum, the information shall include aggregate statistics on each of the following:

(a) The number and dollar amount of provisions of financing assistance made by licensees to business firms.

(b) The number and dollar amount of provisions of financing assistance made by licensees to business firms classified in broad categories of industry such as divisions of the standard industrial classification manual.

(c) The number and dollar amount of provisions of financing assistance made by licensees to minority owned business firms and to woman owned business firms.

(d) Estimates of the number of jobs created or retained.

Sec. 217. (1) The commissioner shall examine each licensee not less than once each calendar year.

(2) The commissioner may at any time examine a licensee or subsidiary of a licensee.

(3) A director, officer, or employee of a licensee or of a subsidiary of a licensee being examined by the commissioner, or a person having custody of any of the books, accounts, or records of the licensee or of the subsidiary, shall exhibit to the commissioner, on request, any of the books, accounts, and other records of the licensee or of the subsidiary and shall otherwise facilitate the examination so far as it is in their power to do so.

(4) If in the commissioner's opinion it is necessary in the examination of a licensee or of a subsidiary of a licensee, the commissioner may retain a certified public accountant, attorney, appraiser, or other person to assist the commissioner. Within 10 days after receipt of a statement from the commissioner, the licensee being examined shall pay the fees of a person retained by the commissioner under this subsection.

ARTICLE 3
LICENSING

Sec. 301. A Michigan corporation may apply to the commissioner for licensure as a BIDCO. A person other than a Michigan corporation shall not apply for a license.

(2) Before being issued a license under this act, a Michigan corporation that proposes to apply for a license or that applies for a license may perform, under a name that indicates that the corporation is a business and industrial development corporation, the acts necessary to apply for and obtain a license and to otherwise prepare to commence transacting business as a licensee. Such a corporation shall not represent that it is a licensee until after the license has been obtained.

Sec. 313. A licensee shall not misrepresent the meaning or effect of its license.

Sec. 315. (1) A Michigan corporation that is licensed under another law of this state or under any law of the United States may apply for and be issued a license under this act unless the transaction of business by that corporation as a licensee under another law of this state or a law of the United States violates this act or is contrary to the purposes of this act.

(2) A Michigan corporation that is licensed under this act may apply for and be issued a license under another law of this state or a law of the United States unless the transaction of business by that corporation as a licensee under another law of this state or a law of the United States would violate this act or would be contrary to the purposes of this act.

Sec. 317. (1) Upon approval of a 2/3 vote of its board of directors and after complying with subsection (2), a licensee may apply to the commissioner to have the commissioner accept the surrender of the licensee's license. If the commissioner determines that the requirements of this section have been satisfied, the commissioner shall approve the application unless in the opinion of the commissioner the purpose of the application is to evade a current or prospective action by the commissioner under article 7.

(2) Not less than 60 days before filing an application with the commissioner under subsection (1), a licensee shall notify all of its shareholders and all of its creditors of its intention to file the application. Each creditor shall be notified of the right to comment to the commissioner. Each shareholder shall be notified of the right to file with the licensee an objection to the proposed surrender of the license within the 60-day period and shall be advised that, if the shareholder files an objection, the shareholder should send a copy of the objection to the commissioner. If shareholders representing 20% of the outstanding voting securities of the licensee file an objection, the licensee shall not proceed with the application under subsection (1) unless the application is approved by a vote of shareholders representing 2/3 of the outstanding voting securities of the licensee.

ARTICLE 4
CORPORATE MATTERS

Sec. 401. The corporate name of each licensee shall include the word "BIDCO". A licensee shall not transact business under a name other than its corporate name.

Sec. 403. (1) The board of directors of each licensee shall consist of not less than 7 directors.

(2) The board of directors of each licensee shall hold a meeting not less than once each calendar quarter.

Sec. 405. Within 30 days after the death, resignation, or removal of a director or officer; the election of a director; or the appointment of an officer, the licensee shall notify the commissioner in writing of the event and shall provide any additional information which the commissioner may require.

Sec. 407. (1) A licensee shall not pay, or obligate itself to pay, a cash dividend or dividend in kind to its shareholders, unless that payment is consistent with a dividend policy which has been adopted by the licensee and approved by the commissioner. In reviewing dividend policies under this section, the commissioner shall be flexible in recognizing the special characteristics of BIDCOs and the diverse range of potentially appropriate dividend policies for BIDCOs, while at the same time protecting against unsafe or unsound acts which could threaten the viability of the licensee as an ongoing BIDCO. The commissioner may at any time withdraw any previous approval of a dividend policy if the commissioner determines that the withdrawal is necessary to prevent unsafe or unsound acts.

(2) Without the prior approval of the commissioner, a licensee shall not buy back, or obligate itself to buy back a share of stock from a shareholder.

ARTICLE 5
TRANSACTION OF BUSINESS

Sec. 501. (1) A licensee shall maintain not less than 1 office in this state.

(2) A licensee shall not maintain an office at any place outside this state.

(3) Each office of a licensee shall be located in a place which is reasonably accessible to the public.

(4) A licensee shall post in a conspicuous place at each of its offices a sign which bears the corporate name of the licensee.

(5) A licensee shall maintain at each of its offices personnel who are competent to conduct the business of such an office.

(6) Upon written notice to the commissioner, a licensee may establish, relocate, or close an office.

Sec. 503. (1) The business of a licensee shall be the business of providing financing assistance and management assistance to business firms. A licensee shall not engage in a business other than the business of providing financing assistance and management assistance to business firms.

(2) In addition to the powers and privileges provided to a licensee by this act, a licensee has all powers and privileges conferred by its incorporating statute which are not inconsistent with or limited by this act. The powers of a licensee include, but are not limited to, all of the following:

(a) To borrow money and otherwise incur indebtedness for its purposes, including issuance of corporate bonds, debentures, notes, or other evidence of indebtedness. A licensee's indebtedness may be secured or unsecured, and may involve equity features including, but not limited to, provisions for conversion to stock and warrants to purchase stock.

(b) To make contracts.

(c) To incur and pay necessary and incidental operating expenses.

(d) To purchase, receive, hold, lease, or otherwise acquire, or to sell, convey, mortgage, lease, pledge, or otherwise dispose of, real or personal property, together with rights and privileges that are incidental and appurtenant to these transactions of real or personal property, if the real or personal property is for the licensee's use in operating its business or if the real or personal property is acquired by the licensee from time to time in satisfaction of debts or enforcement of obligations.

(e) To make donations for charitable, educational, research, or similar purposes.

(f) To implement a reasonable and prudent policy for conserving and investing its money before the money is used to provide financing assistance to business firms or to pay the expenses of the licensee.

Sec. 505. (1) A licensee may determine the form and the terms and conditions for financing assistance provided by that licensee to a business firm including, but not limited to, forms such as loans; purchase of debt instruments; straight equity investments such as purchase of common stock or preferred stock; debt with equity features such as warrants to purchase stock convertible debentures, or receipt of a percent of net income or sales; royalty based financing; guaranteeing of debt; or leasing of property. A licensee may purchase securities of a business firm either directly or indirectly through an underwriter. A licensee may participate in the program of the small business administration pursuant to section 7(a) of the small business act, Public Law 85-536, 15 U.S.C. 636(a), or any other government program for which the licensee is eligible and which has as its function the provision or facilitation of financing assistance or management assistance to business firms. If a licensee participates in a program referred to in this subsection, the licensee shall comply with the requirements of that program.

(2) Management assistance provided by a licensee to a business firm may encompass both management or technical advice and management or technical services.

(3) Financing assistance or management assistance provided by a licensee to a business firm shall be for the business purposes of that business firm.

(4) A licensee may exercise the incidental powers that are necessary or convenient to carry on the business of, or are reasonably related to the business of, providing financing assistance and management assistance to business firms.

(5) Except as provided in subsection (6), in connection with an extension of credit by a person to a licensee or an extension of credit by a licensee to a business entity as defined in Act No. 52 of the Public Acts of 1970, being section 438.61 of the Michigan Compiled Laws, the parties may agree to any rate of interest, including a rate in excess of the rate set forth in Act No. 259 of the Public Acts of 1968, being sections 438.41 to 438.42 of the Michigan Compiled Laws.

(6) In connection with an extension of credit described in subsection (5), a person shall not knowingly charge, take, or receive money or other property as interest on the loan at a rate exceeding 25% simple interest per annum. A person who violates this subsection is guilty of a felony punishable by imprisonment for not more than 5 years or a fine of not more than $10,000.00, or both. As used in this subsection, "interest" does not include anything of value that is contingent on the performance or value of the borrower including, but not limited to, a percentage of net income of the borrower, royalties, stock in the borrower, warrants to purchase stock in the borrower, and convertibility of debentures.

Sec. 507. (1) Either by itself or in concert with a director, officer, principal shareholder, or affiliate; another licensee; or a director, officer, principal shareholder, or affiliate of another licensee, a licensee shall not hold control of a business firm, except as follows:

(a) If and to the extent necessary to protect the licensee's interest as creditor of, or investor in, the business firm, a licensee that had provided financing assistance to a business firm may acquire and hold control of that business firm. Unless the commissioner approves a longer period, a licensee holding control of a business firm under this subdivision shall divest itself of the interest which constitutes holding control as soon as practicable or within 3 years after acquiring that interest, whichever is sooner.

(b) With the approval of the commissioner, a licensee may acquire and hold control of a corporation which has offices located only in this state and which is licensed as a small business investment company under the small business investment act of 1958, Public Law 85-699, 72 Stat. 689.

(c) With the approval of the commissioner, a licensee may acquire and hold control of a company located in this state which is a local development company in accordance with the small business investment act of 1958, whether or not such a development company is or may become certified by the small business administration under section 503 of the small business investment act of 1958, 15 U.S.C. 697.

(d) With the approval of the commissioner, a licensee may acquire and hold control of another business firm with offices only in this state which is engaged in no business other than the business of providing financing assistance and management assistance to business firms.

(e) With the approval of the commissioner, a licensee may acquire and hold control of a business firm not referred to in subdivisions (a) to (d). The commissioner shall not approve an application under this subdivision unless the commissioner determines that such an approval will not cause the amount of the licensee's investments in business firms covered by this subdivision to exceed 15% of the amount of the assets of the licensee and that in the commissioner's judgment such an approval will promote the purposes of this act. An approval by the commissioner under this subdivision shall be for a period of not more than 3 years, except that in a particular case the commissioner may subsequently extend the period beyond 3 years if the commissioner determines that a longer period is needed and is consistent with the purposes of this act.

(2) If the commissioner fails to issue an order approving or denying an application under subsection (1)(b) or (c), within 45 days from receipt by the commissioner of an application which complies with section 203, the application shall be considered approved by the commissioner.

(3) For the purposes of subsection (1), "hold control" means ownership, directly or indirectly, of record or beneficially, of voting securities greater than:

(a) For a business firm with outstanding voting securities held by fewer than 50 shareholders, 40% of the outstanding voting securities.

(b) For a business firm with outstanding voting securities held by 50 or more shareholders, 25% of the outstanding voting securities.

(4) If a licensee anticipates acquiring and holding control of a business firm under subsection (1)(a), the licensee shall file with the commissioner a plan for acquiring and holding control of the business firm that shall include at least all of the following:

(a) The reasons it is necessary for the licensee to acquire and hold control of the business firm.

(b) The percentage of outstanding voting securities of the business firm the licensee plans to own.

(c) The licensee's proposed course of action upon obtaining control of the business firm.

(d) The length of time the licensee anticipates it will be necessary to hold control of the business firm.

(5) The commissioner may require the licensee to demonstrate the necessity for the licensee to hold control of a business firm under subsection (1)(a).

Sec. 509. (1) A licensee shall transact its business in a safe and sound manner and shall maintain itself in a safe and sound condition.

(2) In determining whether a licensee is transacting business in a safe and sound manner or has committed an unsafe or unsound act, the commissioner shall not consider the risk of a provision of financing assistance to a business firm, unless the commissioner determines that the risk is so great compared with the realistically expected return as to demonstrate gross mismanagement.

(3) Subsection (2) does not limit the authority of the commissioner to do any of the following:

(a) Determine that a licensee's financing assistance to a single business firm or a group of affiliated business firms is in violation of subsection (1) or constitutes an unsafe or unsound act, if the amount of that financing assistance is unduly large in relation to the total assets or the total shareholders equity of the licensee.

(b) Require that a licensee maintain a reserve in the amount of anticipated losses.

(c) Require that a licensee have in effect a written financing assistance policy, approved by its board of directors, including credit evaluation and other matters. The commissioner shall not require that a licensee adopt a financing assistance policy that contains standards which prevent the licensee from exercising needed flexibility in evaluating and structuring financing assistance to business firms on a deal by deal basis.

Sec. 511. (1) For purposes of this section:

(a) "Associate" means that term as defined as in article 8.

(b) "Relative" means parent, child, sibling, spouse, father-in-law, mother-in-law, son-in-law, brother-in-law, daughter-in-law, sister-in-law, grandparent, grandchild, nephew, niece, uncle, or aunt.

(2) If a licensee provides financing assistance to a business firm or engages in another business transaction, and if that financing assistance or transaction involves a potential conflict of interest, the terms and conditions under which the licensee provides the financing assistance or engages in the transaction shall not be less favorable to the licensee than the terms and conditions that would be required by the licensee in the ordinary course of business if the transaction did not involve a potential conflict of interest. Each person who participates in the decision of the licensee relating to a transaction described in this section and has knowledge of a potential conflict of interest involving that transaction shall take care that the potential conflict of interest is disclosed in the financing documents of the transaction or, for a business transaction not involving financing assistance, in another appropriate document.

(3) For the purposes of subsection (2), transactions engaged in by a licensee which involve a potential conflict of interest include, but are not limited to, the following:

(a) Providing financing assistance to a principal shareholder of the licensee, to a person controlled by a principal shareholder of the licensee, or to a director, officer, partner, relative, controlling person, or affiliate of a principal shareholder of the licensee.

(b) Providing financing assistance to a business firm to which a principal shareholder of the licensee; a director, officer, partner, relative, controlling person, or affiliate of a principal shareholder of a licensee; or a person controlled by a principal shareholder of the licensee provides or plans to provide contemporaneous financing assistance.

(c) Providing financing assistance to a business firm which has or is expected to have a substantial business relationship with another business firm which has a director, officer, or controlling person who is also a director, officer, or controlling person of the licensee or who is the spouse of a director, officer, or controlling person of the licensee.

(d) Providing financing assistance to a business firm if that business firm, or a director, officer, or controlling person of that business firm, contemporaneously has lent or will lend money to an associate of the licensee.

(e) Providing financing assistance for the purchase of property of an associate or principal shareholder of the licensee.

(f) Selling or otherwise transferring any of its assets to an associate or principal shareholder of the licensee.

(4) Nothing in this section or in any other section of this act limits the authority of the commissioner to determine that an act involves a conflict of interest and therefore is an unsafe or unsound act.

Sec. 513. Except with the approval of the commissioner, a licensee shall not provide a lien on or security interest in any of its property for the purpose of securing an obligation of, or an obligation incurred for the benefit of, another person.

ARTICLE 6

MERGERS AND ACQUISITIONS

Sec. 601. (1) Without the prior approval of the commissioner, a person shall not acquire control of a licensee.

(2) With respect to an application for approval to acquire control of a licensee, if the commissioner determines, that the applicant and the directors and officers of the applicant are of good character and sound financial standing; that it is reasonable to believe that, if the applicant acquires control of the licensee, the applicant will comply with this act; and that the applicant's plans, if any, to make a major change in the business, corporate structure, or management of the licensee are not detrimental to the safety and soundness of the licensee, the commissioner shall approve the application. If, after notice and a hearing, the commissioner determines otherwise, the commissioner shall deny the application.

(3) For purposes of subsection (2), the commissioner may determine any of the following:

(a) That an applicant or a director or officer of an applicant is not of good character if that person has been convicted of, or has pleaded nolo contendere to, a crime involving fraud or dishonesty.

(b) That an applicant's plan to make a major change in the management of a licensee is detrimental to the safety and soundness of the licensee if the plan provides for a person to become a director or officer of the licensee and that person has been convicted of, or has pleaded nolo contendere to, a crime involving fraud or dishonesty.

(4) The conditions described in subsection (3) are not the only conditions upon which the commissioner may determine that an applicant or a director or an officer of an applicant is not of good character or that an applicant's plan to make a major change in the management of a licensee is detrimental to the safety and soundness of the licensee.

Sec. 603. (1) A licensee shall not merge with another corporation unless:

(a) If the licensee is the surviving corporation, the merger is approved by the commissioner.

(b) If the licensee is a disappearing corporation, the surviving corporation is a licensee and the merger is approved by the commissioner.

(2) A licensee shall not purchase all or substantially all of the business of another person unless the purchase is approved by the commissioner.

(3) A licensee shall not sell all or substantially all of its business or of the business of any of its offices to another person unless that other person is a licensee and the sale is approved by the commissioner.

(4) The commissioner shall approve an application for approval of a merger, purchase, or sale, if, and only if, the commissioner determines all of the following:

(a) That the merger, purchase, or sale will be safe and sound with respect to the acquiring licensee.

(b) That, upon consummation of the merger, purchase, or sale, it is reasonable to believe that the acquiring licensee will comply with this act.

(c) That the merger, purchase, or sale will not have a major detrimental impact on competition in the providing of financial assistance or management assistance to business firms, or if there will be such a detrimental impact, the merger, purchase, or sale is necessary in the interests of the safety and soundness of any of the parties to the merger, purchase, or sale, or is otherwise, on balance, in the public interest.

ARTICLE 7

ENFORCEMENT

Sec. 701. If in the opinion of the commissioner, a person violates, or there is reasonable cause to believe that a person is about to violate this act, the commissioner may bring an action in the name of the people of this state in a circuit court to enjoin the violation or to enforce compliance with this act. Upon a proper showing, a restraining order, preliminary or permanent injunction, or writ of mandamus shall be granted, and a receiver or a conservator may be appointed for the defendant or the defendant's assets. The court shall not require the commissioner to post a bond in an action brought under this act.

Sec. 703. (1) If the commissioner finds that a person has violated or that there is reasonable cause to believe that a person is about to violate section 311, the commissioner may order the person to cease and desist from the violation unless and until the person is issued a license.

(2) Within 30 days after an order is issued under subsection (1), the person to whom the order is directed may file with the commissioner an application for a hearing on the order. If the commissioner fails to commence a hearing within 15 business days after that application is filed or within a longer period to which the person consents, the order shall be considered rescinded. Upon the hearing, the commissioner shall affirm, modify, or rescind the order. The right of a person to whom an order is issued under subsection (1) to petition for judicial review of the order is not affected by the failure of the person to apply to the commissioner for a hearing on the order issued under this subsection.

Sec. 705. (1) If, after notice and a hearing, the commissioner determines that a licensee or a subject person of a licensee has violated or is violating, or that there is reasonable cause to believe that a licensee or subject person of a licensee is about to violate, this act or another applicable law, or that a licensee or subject person of a licensee has engaged or participated or is engaging or participating, or that there is a reasonable cause to believe that a licensee or subject person of a licensee is about to engage or participate, in an unsafe or unsound act with respect to the business of that licensee, the commissioner may order that licensee or subject person to cease and desist from the action or violation. The order may require the licensee or subject person to take affirmative action to correct any condition resulting from the action or violation.

(2) If the commissioner determines that any of the factors set forth in subsection (1) are true with respect to a licensee or subject person of a licensee and that the action or violation is likely to cause the insolvency of or

substantial dissipation of the assets or earnings of the licensee; is likely to seriously weaken the condition of the licensee; or is likely to otherwise seriously prejudice the interests of the licensee before the completion of proceedings conducted under subsection (1), the commissioner may order the licensee or subject person to cease and desist from that action or violation. The order may require the licensee or subject person to take affirmative action to correct any condition resulting from the action or violation.

(3) Within 30 days after an order is issued under subsection (2), the licensee or subject person of a licensee to whom the order is directed may file with the commissioner an application for a hearing on the order. If the commissioner fails to commence a hearing within 15 business days after the application is filed or within a longer period to which the licensee or subject person consents, the order shall be considered rescinded. Upon the hearing, the commissioner shall affirm, modify, or rescind the order. The right of a licensee or subject person to whom an order is issued under subsection (2) to petition for judicial review of the order is not affected by the failure of the licensee or subject person to apply to the commissioner for a hearing on the order issued under this subsection.

Sec. 707. (1) The commissioner may issue an order removing a subject person of a licensee from his or her office, if any, with the licensee and prohibiting the subject person from further participating in any manner in the conduct of the business of the licensee, if, after notice and a hearing, the commissioner determines all of the following are true:

(a) The subject person has violated this act or another applicable law; the subject person has engaged or participated in an unsafe or unsound act with respect to the business of the licensee; or the subject person has engaged or participated in an act which constitutes a breach of the subject person's fiduciary duty.

(b) The act, violation, or breach of fiduciary duty has caused or is likely to cause substantial financial loss or other damage to the licensee or has seriously prejudiced or is likely to seriously prejudice the interests of the licensee, or the subject person has received financial gain by reason of the act, violation, or breach of fiduciary duty.

(c) The act, violation, or breach of fiduciary duty either involves dishonesty on the part of the subject person or demonstrates the subject person's gross negligence with respect to the business of the licensee or a willful disregard for the safety and soundness of the licensee.

(2) The commissioner may issue an order removing the subject person from his or her office with the licensee, if any, and prohibiting the subject person from further participating in any manner in the conduct of the business of the licensee, except with the prior consent of the commissioner, if, after notice and a hearing, the commissioner determines that, by engaging or participating in an act with respect to a financial or other business institution which resulted in substantial financial loss or other damage, the subject person of a licensee has demonstrated both of the following:

(a) Dishonesty or willful or continuing disregard for the safety and soundness of the financial or other business institution.

(b) Unfitness to continue as a subject person of the licensee or to participate in conducting the business of the licensee.

(3) If the commissioner determines that the factors set forth in subsection (1) or (2) are true with respect to a subject person of a licensee, and that it is necessary for the protection of the interests of the licensee or for the protection of the public interest that the commissioner immediately suspend the subject person from his or her office, if any, with the licensee and prohibit the subject person from further participating in any manner in conducting the business of the licensee, the commissioner may issue an order suspending the subject person from his or her office, if any, with the licensee and prohibiting the subject person from further participating in any manner in conducting the business of the licensee, except with the consent of the commissioner.

(4) Within 30 days after an order is issued under subsection (3), the subject person of a licensee to whom the order is directed may file with the commissioner an application for a hearing on the order. If the commissioner fails to begin a hearing within 15 business days after the application is filed or within a longer period to which the subject person consents, the order shall be considered rescinded. Upon the hearing, the commissioner shall affirm, modify, or rescind the order. The right of a subject person of a licensee to whom an order is issued under subsection (3) to petition for judicial review of the order shall not be affected by the failure of the subject person to apply to the commissioner for a hearing on the order issued under this subsection.

(5) A person to whom an order is issued under this section may apply to the commissioner to modify or rescind the order. The commissioner shall not modify or rescind the order unless the commissioner determines that it is in the public interest to do so and that it is reasonable to believe that the person, if and when he or she becomes a subject person of a licensee, will comply with this act.

(6) As used in this section, "office", if used with respect to a licensee, means the position of director, officer, or employee of the licensee or of a subsidiary of the licensee.

Sec. 709. (1) If the commissioner determines that a subject person of a licensee has been indicted by a grand jury or has been bound over for trial by a court for a crime involving dishonesty or breach of trust, and that the fact that the person continues to be a subject person of the licensee may threaten the interests of the licensee or may threaten to impair public confidence in the licensee, the commissioner may issue an order suspending the subject person from his or her office, if any, with the licensee and prohibiting the subject person from further participating in any manner in the conduct of the business of the licensee, except with the consent of the commissioner.

(2) If the commissioner determines that a subject person or former subject person of a licensee to whom an order was issued under subsection (1), or another subject person of a licensee, has been convicted of a crime which is punishable by imprisonment for a term of not less than 1 year and which involves dishonesty or breach of trust, and that the fact that the person continues to be or will resume to be a subject person of the licensee may threaten the interests of the licensee or may threaten to impair public confidence in the licensee, the commissioner may issue an order suspending or removing the subject person or former subject person from his or her office, if any, with the licensee and prohibiting the subject person from further participating in any manner in the conduct of the business of the licensee, except with the prior consent of the commissioner.

(3) Within 30 days after an order is issued under subsection (1) or (2), the subject person of a licensee to whom the order is directed may file with the commissioner an application for a hearing on the order. If the commissioner fails to commence a hearing within 15 business days after the application is filed or within a longer period to which the subject person consents, the order shall be considered rescinded. Upon the hearing, the commissioner shall affirm, modify, or rescind the order. The right of a subject person or former subject person of a licensee to whom an order is issued under subsection (1) or (2) to petition for judicial review of the order is not affected by the failure of the person to apply to the commissioner for a hearing on the order issued under this subsection.

(4) The fact that a subject person of a licensee charged with a crime involving dishonesty or breach of trust is not convicted of the crime shall not preclude the commissioner from issuing an order to the subject person under any other provision of this act.

(5) A person to whom an order is issued under this section may apply to the commissioner to modify or rescind the order. The commissioner shall not modify or rescind the order unless the commissioner determines that it is in the public interest to do so and that it is reasonable to believe that the person, if and when he or she becomes a subject person of a licensee, will comply with this act.

(6) As used in this section, "office", if used with respect to a licensee, means the position of director, officer, or employee of the licensee or of a subsidiary of the licensee.

Sec. 711. If, in the opinion of the commissioner, disclosure to shareholders regarding a matter is warranted, the commissioner may require a licensee, in such a form and manner as the commissioner may specify, to disclose to the shareholders of a licensee the results of a communication or order from the commissioner addressed to the licensee or to a subject person of the licensee.

Sec. 713. (1) If the commissioner considers it expedient, the commissioner may call a meeting of the board of directors of a licensee by giving notice of the time, place, and purpose of the meeting not less than 5 days before the meeting to each director either by personal service or by registered or certified mail sent to the director's last known address as shown in the records of the commissioner.

(2) If the commissioner considers it expedient, the commissioner may call a meeting of the shareholders of a licensee by giving notice of the time, place, and purpose of the meeting not less than 5 days before the meeting to each shareholder either by personal service or by registered or certified mail sent to the shareholder's last known address as shown by the books of the licensee. The licensee shall pay the expenses of the notice and of a meeting called under this subsection.

Sec. 715. (1) The commissioner may issue an order directing a licensee to refrain from providing any additional financing assistance to business firms if, in the opinion of the commissioner, the order is necessary to protect the interests of the licensee or the public interest, and if, after notice and a hearing, the commissioner determines that any of the following are true:

(a) The licensee or a controlling person, subsidiary, or affiliate of the licensee has violated this act or another applicable law.

(b) The licensee is conducting its business in an unsafe and unsound manner.

(c) The licensee is in a condition that makes it unsafe or unsound for the licensee to transact business.

(d) The licensee has ceased to transact business as a business and industrial development corporation.

(e) The licensee is insolvent.

(f) The licensee has suspended payment of its obligations, has made an assignment for the benefit of its creditors, or has admitted in writing its inability to pay its debts as they become due.

(g) The licensee has applied for an adjudication of bankruptcy, reorganization, arrangement, or other relief under a bankruptcy, reorganization, insolvency, or moratorium law, or that a person has applied for such relief under such a law against a licensee and the licensee has by any affirmative act approved of or consented to the action or such relief has been granted.

(h) A fact or condition exists which would have been grounds for denying the application if the fact or condition had existed at the time the licensee applied for its license.

(2) If the commissioner determines that any of the factors set forth in subsection (1) are true with respect to a licensee and that it is necessary for the protection of the interests of the licensee or the public interest that the commissioner immediately issue an order directing the licensee to refrain from providing any additional financing assistance to business firms, the commissioner may issue such an order without a hearing. Within 30 days after an order is issued under this subsection, the licensee to whom the order is directed may file with the commissioner a request for a hearing on the order. If the commissioner fails to commence a hearing within 15 business days after the request is filed or within a longer period to which the licensee consents, that order shall be considered rescinded. Upon the hearing, the commissioner shall affirm, modify, or rescind the order.

(3) With the consent of the commissioner, a licensee which has been the subject of an order under subsection (1) or (2) may resume providing financing assistance to business firms under such conditions as the commissioner may prescribe.

(4) A person to whom an order is issued under subsection (1) or (2) may apply to the commissioner to modify or rescind the order. The commissioner shall not grant the application unless the commissioner determines that it is in the public interest to do so and that it is reasonable to believe that the person, if and when the order is modified or rescinded, will comply with this act.

Sec. 717. (1) If the commissioner finds that any of the factors set forth in section 715(1) are true with respect to a licensee and that it is necessary for the protection of the interests of the licensee or for the protection of the public interest that the commissioner take immediate possession of the property and business of the licensee, the commissioner may appoint a conservator for the licensee. The commissioner may appoint as conservator 1 of the employees of the financial institutions bureau of the department of commerce or some other competent and disinterested person. The financial institutions bureau of the department of commerce shall be reimbursed out of the assets of the conservatorship for all sums expended by the bureau in connection with the conservatorship as expenses. Upon the approval of the commissioner, the expenses of the conservatorship shall be paid out of the assets of the licensee. The expenses shall be a first charge upon the assets and shall be fully paid before any final distribution is made.

(2) Under the direction of the commissioner, the conservator shall take possession of the books, records, and assets of the licensee and shall take such action with respect to employees, agents, or representatives of the licensee or any other action as may be necessary to conserve the assets of the licensee or ensure payment of obligations of the licensee pending further disposition of its business as provided by law. At any appropriate time, the commissioner may terminate the conservatorship and permit the licensee to resume the transaction of its business subject to the terms, conditions, restrictions, and limitations the commissioner may prescribe.

(3) If in the opinion of the commissioner it is appropriate that the licensee be liquidated, the commissioner, with the attorney general representing the commissioner, may apply to the circuit court for the county in which the principal office of the licensee is located for the appointment of a receiver for the licensee, if the commissioner determines that any of the following are true:

(a) The licensee is insolvent.

(b) The licensee has suspended payment of its obligations, has made an assignment for the benefit of its creditors, or has admitted in writing its inability to pay its debts as they become due.

(c) The licensee has applied for an adjudication of bankruptcy, reorganization, arrangement, or other relief under a bankruptcy, reorganization, insolvency, or moratorium law.

(d) A person has applied for the relief described under subdivision (c) against any licensee and that licensee has by an affirmative act approved of or consented to the action or the relief has been granted.

(e) The licensee is in a condition that makes it unsafe or unsound for the licensee to transact business.

(4) If a receiver is appointed under subsection (3), the receiver shall liquidate the property and business of the licensee in the manner provided for in sections 252 to 254 of the banking code of 1969, Act No. 319 of the Public Acts of 1969, being sections 487.552 to 487.554 of the Michigan Compiled Laws, as if the licensee were a bank.

Sec. 719. (1) If, after notice and a hearing, the commissioner finds that a person has violated this act, the commissioner may order that person to pay to the commissioner a civil penalty in the amount the commissioner specifies. However, the amount of the civil penalty shall not exceed $1,000.00 for each violation, or in the case of a continuing violation, $1,000.00 for each day for which the violation continues. Money collected for a civil penalty under this section shall be paid into the state treasury and credited to the general fund of this state.

(2) This section does not apply to any act committed or omitted in good faith in conformity with an order, rule, declaratory ruling, or written interpretative opinion of the commissioner, notwithstanding that the order, rule, declaratory ruling, or written interpretative opinion is later amended, rescinded, or repealed, or determined by judicial or other authority to be invalid for any reason.

(3) The provisions of subsection (1) are additional to, and not alternative to, other provisions of this act which authorize the commissioner to issue orders or to take other action on account of a violation of this act. A person who is convicted under section 819 on account of a violation of article 8 shall not be liable to pay a civil penalty under subsection (1) on account of that violation. A person who pays a civil penalty under subsection (1) on account of a violation of article 8 shall not be liable to prosecution under section 819 on account of that violation.

ARTICLE 8

CERTAIN UNLAWFUL ACTIVITIES

Sec. 801. (1) As used in this article, unless the context otherwise requires:

(a) "Advisor", means a person who regularly provides legal, accounting, or management services or advice to a licensee.

(b) "Associate" means, if used with respect to a licensee:

(*i*) A controlling person, director, officer, agent, or advisor of that licensee.

(*ii*) A director, officer, or partner of a person referred to in subparagraph (*i*).

(*iii*) A person who controls, is controlled by, or is under common control with a person referred to in subparagraph (*i*), directly or indirectly through 1 or more intermediaries.

(*iv*) Any close relative of any person referred to in subparagraph (*i*).

(*v*) A person of which a person referred to in subparagraphs (*i*) to (*iv*) is a director or officer.

(*vi*) A person in which a person referred to in subparagraphs (*i*) to (*iv*), or any combination of those persons acting in concert, owns or controls, directly or indirectly, a 20% or greater equity interest.

(c) "Close relative" means parent, child, sibling, spouse, father-in-law, mother-in-law, son-in-law, brother-in-law, daughter-in-law, or sister-in-law.

(d) "Closing services" means services performed in connection with the providing of financing assistance. Closing services includes, but is not limited to, appraising property and preparing credit reports. Closing services does not include a service performed after the providing of financing assistance.

(e) "Short-term financing assistance" means financing assistance with a term of not more than 5 years.

(2) For the purposes of subsection (1)(b):

(a) A person who is in a relationship referred to in that subdivision within 6 months before or after a licensee provides financing assistance shall be considered to be in that relationship as of the date that licensee provides that financing assistance.

(b) If a licensee, in order to protect its interests, designates a person to serve as a director of, officer of, or in any capacity in the management of a business firm to which that licensee provides financing assistance, that person shall not, on that account, be considered to have a relationship with that business firm. This subdivision does not apply if the person has, directly or indirectly, any other financial interest in the business firm or if the person, at any time before the licensee provides the financing assistance, served as a director of, officer of, or in any other capacity in the management of the business firm for a period of 30 days or more.

Sec. 803. A person shall not willfully make an untrue statement of a material fact in an application or report filed with the commissioner under this act, or willfully omit to state in such an application or report a material fact required to be stated in the application or report.

Sec. 805. A person having custody of any of the books, accounts, or other records of a licensee shall not willfully refuse to allow the commissioner, upon request, to inspect or make copies of any of those books, accounts, or other records.

Sec. 807. A person shall not, with intent to deceive a director, officer, employee, auditor, or attorney of a licensee; the commissioner; or a governmental agency, make a false entry in the books, accounts, or other records of that licensee; omit to make an entry in those books, accounts, or other records which that person is required to make; or alter, conceal, or destroy any of those books, accounts, or other records.

Sec. 809. A licensee shall not provide, directly or indirectly, financing assistance to an associate of the licensee.

Sec. 811. A licensee shall not provide, directly or indirectly, financing assistance to discharge, or to free other money for use in discharging, in whole or in part, an obligation to an associate of that licensee. This section does not apply to a transaction effected by an associate of a licensee in the normal course of that associate's business involving a line of credit or short-term financing assistance.

Sec. 813. (1) A licensee shall not provide, directly or indirectly, financing assistance to a business firm to which an associate of that licensee provides financing assistance, either contemporaneously with, or within 1 year before or after, the providing of financing assistance by the licensee, if the terms on which the licensee provides financing assistance are less favorable to the licensee than the terms on which the associate provides financing assistance to the business firm. If the financing assistance provided by the associate of the licensee is of a different kind from the financing assistance provided by the licensee, the burden shall be on the licensee to prove that the terms on which the licensee provided financing assistance were at least as favorable to the licensee as the terms on which the associate provided financing assistance to the business firm.

(2) This section does not apply to any of the following:

(a) If the associate is a controlling person of the licensee and is also the only shareholder of the licensee.

(b) If the associate is a subsidiary of the licensee.

(c) A transaction effected by an associate of a licensee in the normal course of that associate's business involving a line of credit or short-term financing assistance.

Sec. 815. An associate of a licensee shall not receive, directly or indirectly, from a person to whom that licensee provides financing assistance, compensation in connection with the providing of that financing assistance or anything of value for procuring, influencing, or attempting to procure or influence the licensee's action with respect to the providing of the financing assistance. This section does not apply to the receipt of fees by an associate of a licensee for bona fide closing services performed by that associate if all of the following are true:

(a) The associate, with the consent and knowledge of the person to whom the financing assistance is provided, is designated by the licensee to perform the services.

(b) The services are appropriate and necessary in the circumstances.

(c) The fees for the services are approved as reasonable by the licensee.

(d) The fees for the services are collected by the licensee on behalf of the associate.

Sec. 817. (1) By such orders or rules the commissioner considers necessary and appropriate, the commissioner may exempt from sections 809 to 815, either unconditionally or upon specified terms and conditions and for specified periods, a person or transaction or class of persons or transactions, if the commissioner finds that the exemption is in the public interest and that the regulation of the person, transaction, or class is not necessary for the purposes of this act.

(2) In exempting a person or transaction or class of persons or transactions, the commissioner shall give consideration, as considered appropriate by the commissioner, to conflict of interest provisions of federal law or regulation that may be applicable to that person or transaction governing participants in federal financing programs.

Sec. 819. (1) A person who knowingly commits an act which act violates this article shall be fined not more than $10,000.00 or shall be imprisoned for not more than 1 year, or both.

(2) This section does not apply to an act committed or omitted in good faith in conformity with an order, rule, declaratory ruling, or written interpretative opinion of the commissioner, notwithstanding that the order, rule, declaratory ruling, or written interpretative opinion is later amended, rescinded, or repealed, or determined by judicial or other authority to be invalid for any reason.

(3) Nothing in this act limits the power of the state to punish a person for an act which constitutes a crime under any statute.

ARTICLE 9

GENERAL PROVISIONS

Sec. 901. This act shall be liberally construed to accomplish its purposes.

Sec. 903. A proceeding to promulgate rules or a proceeding regarding civil penalties under section 719 shall be subject to the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969, being sections 24.201 to 24.328 of the Michigan Compiled Laws. Any other proceedings under this act are exempt from the provisions of the administrative procedures act of 1969, Act No. 306 of the Public Acts of 1969.

Sec. 905. Except as otherwise provided in this section, the provisions of a licensee's incorporating statute apply to the licensee. If a provision of the licensee's incorporating statute conflicts with any provision of this act, this act controls.

ARTICLE 10
REPEAL

Sec. 1001. Act No. 117 of the Public Acts of 1963, being sections 487.851 to 487.867 of the Michigan Compiled Laws, is repealed. A reference in another law of this state to a business development corporation under Act No. 117 of the Public Acts of 1963 shall be considered to be a reference to a BIDCO under this act.

This act is ordered to take immediate effect.

Willard C. Kandler

Secretary of the Senate.

Daniel H. Evans

Clerk of the House of Representatives.

Approved ....

....

Governor.

STATE OF MICHIGAN

JAMES J. BLANCHARD, Governor

MICHIGAN STRATEGIC FUND

P.O. BOX 30234, LAW BUILDING, LANSING, MICHIGAN 48909
(517) 373-7550
PETER PLASTRIK, President

January 1988

CAPITAL ACCESS PROGRAM

Introduction

The Michigan Strategic Fund's (MSF) Capital Access Program, launched in August 1986, is designed to provide banks with a flexible and non-bureaucratic tool to make business loans which are somewhat riskier than a conventional bank loan, in a manner consistent with safety and soundness regulation. The Capital Access Program can thus assist banks in expanding their markets and better serving their customer base, and can have an important positive impact on the creation of jobs and improving the effectiveness of Michigan's economy by supporting the growth and success of Michigan businesses. As of this writing, the program has already assisted banks in financing more than 70 companies, and the pace of lending is increasing. Continuing substantial increases in the degree of bank utilization of the program are anticipated.

From the MSF's viewpoint, a key feature of the program is the high degree of leverage of public resources -- a relatively small amount of MSF funds can generate a relatively large amount of bank lending. To date, the leveraging ratio of private to MSF resources being achieved by the program is 17 to 1, and is expected to increase.

From the bank's perspective, a central feature is the flexibility of the program and its extremely non-bureaucratic administration. The bank has sole responsibility for deciding whether or not and under what terms and conditions to make the loan.

From the borrower's perspective, the key feature of the program is that it provides access to financing that might otherwise not be available. Access to financing is often a crucial ingredient in enabling a business to prosper and grow.

This paper describes and discusses the program in some detail, and is intended to be helpful for descriptive purposes. The official legal document specifying program parameters is the Agreement entered into between the MSF and each participating bank.

Basic Concept of Program

Although the Capital Access Program is based on an insuring concept, it is fundamentally different from the traditional type of insurance or guarantee program, such as the SBA 7(a) program, which guarantees some percentage of a loan on a loan by loan basis. Instead, Capital Access is based on a portfolio concept.

If a bank participates in the Capital Access Program, a special reserve fund is set up to cover future losses from a portfolio of loans that the bank makes under the program. The special reserve is owned and controlled by the MSF, but it is earmarked in that bank's name. Thus, each bank participating in the program has its own earmarked reserve. A bank could withdraw funds from its earmarked reserve only to cover losses on loans made under the program.

Payments are made into a bank's earmarked reserve each time the bank makes a loan under the program. The borrower makes a premium payment, the bank matches that payment, and then the MSF matches the combined total of the borrower's payment and the bank's payment. The bank is allowed to recover the cost of its payment from the borrower, such as through a higher interest rate, up-front fees, or some combination. Up-front premium payments and fees can be financed as part of the loan.

The actual level of payments to be made into the reserve at the time of making any loan is determined by the bank, within certain parameters. At a minimum, the borrower pays an amount equal to 1.5% of the loan amount, the bank would match that with another 1.5%, and then the MSF would contribute 3%, for a total of 6%. At the maximum, the borrower contributes 3.5%, the bank another 3.5%, and the MSF 7%, for a total of 14%.

Thus, for any loan made under the program, an amount equal to anywhere from 6% to 14% of the loan amount is paid into the bank's earmarked reserve. After a bank has made a portfolio of loans under the program, it might have a reserve equal to, say, 10% of the total amount of that portfolio. In such a situation, the bank could absorb a dollar loss rate of up to 10% on that portfolio and still be completely covered against loss. A key feature of the program is that the full amount in the bank's total reserve is available as needed to cover any loss from any of the loans made under the program. If loans get paid off without loss, the funds stay in the reserve.

The earmarked reserve enables a bank to be more aggressive in making loans and expanding its market. However, if a bank's loss rate were to exceed the coverage provided by the reserve, the bank would be at risk for that excess loss. Thus, there is a clear built-in incentive for a bank to be prudent.

Nevertheless, since the reserve would enable a bank to withstand a substantially higher loss rate than it could tolerate under its conventional loan portfolio, the program enables a bank to prudently make "almost bankable loans." For example, these loans might be loans to companies with good management and a good direction, but for one reason or another, such as lack of sufficient track record, lack of adequate collateral, lack of sufficient net worth, or other reason, can't quite qualify for a conventional bank loan.

Because the program is structured to provide a built-in incentive for the bank to be prudent, there is no need for the MSF to be involved at all in reviewing the bank's decision on the loan. The reserve is there for the bank to protect and use. The bank makes the loan and simply files a one page Loan Filing Form with the MSF within 10 days after the loan is made. Enrolling loans under the program is thus designed to work as essentially an automatic process. There is no processing delay, and virtually no paperwork.

Flexibility is a key characteristic of the program. It is completely up to the bank to determine how it wants to use the program. The bank sets its own criteria for determining whether to make the loan, determines what types of loans it wants to make under the program, and decides the interest rate, fees, term to maturity, collateral requirements (if any), and other conditions of the loan. Thus the market is allowed to work, and intelligent private sector decision making is facilitated. The loan can be short term or long term, fixed or variable, secured or unsecured, amortizing loans or balloon loans, term loan or line of credit, etc.

When filing a loan for enrollment under the program, the bank has the option of covering an amount under the program which is less than the full amount of the loan. This provides added flexibility, since borrower and bank premium payments would then be based on this smaller amount. For example, let's say that a bank makes a $300,000 loan under the program, but is convinced that under a worse case scenario the maximum possible loss on the loan would be $200,000. The bank could decide to specify a covered amount of $200,000 on the loan. In such an event the funds in the reserve could be used to cover the first $200,000 in principal loss on the loan, plus accrued interest, plus documented out of pocket expenses.

A key feature of the program is the flexibility it provides to enable a bank to work with a borrower after the bank has made a loan to the borrower under the program. After a loan has been made under the program the bank can subsequently recast it as often as may be desirable. The bank can extend the term of the loan, amend covenants, release collateral, etc., without having to obtain approval from the MSF, or even reporting the change to the MSF.

The bank also has the flexibility to refinance the loan, adding funds. Indeed, if the total amount of the refinanced loan does not exceed the covered amount of the loan as previously enrolled, no new borrower or bank premium payments need to be made into the reserve, and the fact of the refinancing does not even need to be reported. (Once a year, the bank would be asked to file a simple report with the MSF containing merely a listing of loan number and outstanding balance for all loans enrolled under the program.) For example, if a $200,000 loan covered under the program has been paid down to $50,000, and then is refinanced back up to $200,000, then no new premium payments are owed. However, if the loan were instead refinanced up to $300,000, then premium payments would be owed on the incremental $100,000 above the $200,000, but only if the bank wanted to cover that additional $100,000 under the program.

Lines of credit are also treated with similar flexibility. In establishing a line of credit and filing it for enrollment, the amount of the loan, for the purposes of determining premium payments and the maximum covered amount, shall be the maximum amount that can be drawn down against the line of credit. Banks could use their normal approach, including informal arrangements as applicable, in establishing a line of credit. A line of credit, once established, could then be renewed each year, staying covered under the program, without new premium payments being required (unless the covered amount under the program is to be increased).

The collection and claims process is also designed to work in a routine, nonbureaucratic way. The bank simply uses its normal method for determining when and how much to charge off on a loan. At the same time that a bank charges off all or part of a loan, the bank would file a claim with the MSF, with payment designed to be handled in a prompt and routine fashion.

Because of the payments that need to be made into the reserve, a loan made under the Capital Access Program is likely to be a bit more expensive than a conventional bank loan. The premium payments into the reserve are one-time, up-front payments, the costs of which can be financed. Thus the longer the financing stays on the books, the smaller is the increase in the borrower's effective interest rate. However, the transaction is still likely to be a little bit more expensive than a conventional loan. Thus, borrowers who can obtain conventional bank financing to meet their needs would normally be better off with such financing, and competition within the banking industry will work to steer such borrowers to conventional financing. From the perspective of borrowers, the central thrust of the Capital Access Program is that it can provide access to financing for many companies that otherwise might not be able to obtain bank financing to meet their needs. Moreover, financing under the Capital Access Program is likely to be much less expensive for a company than alternative non-bank sources of financing, if any are available.

It is important that prospective borrowers under the program understand that the loan is a private transaction between the bank and the borrower. While the program may assist a bank in being able to take more risk than normal, it is still the bank that is bearing the risk of the loan, and is responsible for the decision making.

Allocation of Funds - Long Term Intentions of MSF

In approving the program the MSF Board has initially allocated $5 million to the program, which will support an estimated $100 million in lending by participating banks. Especially noteworthy is the fact that the MSF Board, in its resolution establishing the program and making this initial allocation, also incuded a strong statement of intent on the Board's long term intentions regarding the program. The resolution stated that the Board intends that the program be operated on a market driven basis, without limiting the aggregate amount of loans that can be made under the program; that the Board believes that the resources of the Michigan Strategic Fund should be more than enough to cover any forseeable loan volume under the program for a number of years into the future; and that the initial allocation of $5 million is only an initial allocation, and the Board expects to provide additional allocations at future times as needed to meet market demand. Thus a bank should be able to participate in the program with confidence that it will have an opportunity to build up a substantial portfolio of loans under the program, without fearing that the program will run out of money.

Eligible Loans and Borrowers

The fundamental thrust of the program is to make eligibility as broad based as possible so as to maximize the impact on Michigan's economy and to avoid second guessing private market decisions. The borrower can be a corporation, partnership, joint venture, sole proprietorship, cooperative or other entity, whether profit or nonprofit, which is authorized to conduct business in the State of Michigan. The broad based nature of the program has been enhanced as of January 1988 with the inclusion of retail businesses as eligible to receive financing.

The basic approach is to keep the program flexible so that each bank can use the program in a manner which best suits the needs of the bank and its customers. Keeping the program broad based will also assist banks in building up a portfolio to take maximum advantage of the portfolio insurance effect, thereby making the program more attractive and effective. Moreover, the high degree of leveraging of public resources supports keeping the program broad based.

There are however, a relatively small number of restrictions that are either mandated by statute or are necessary to protect the basic integrity and purpose of the program. These restrictions are described below.

1. Business Purpose in Michigan - The proceeds of the loan must be used for a business purpose within the state of Michigan. Generally, therefore, the program is geared to Michigan businesses. In the case of a company with multi-state operations, the key test is that the primary economic impact of the endeavor financed by the proceeds of the loan must be in Michigan.

2. Exclusion of Housing - The MSF statute prevents the financing of "that portion of an endeavor devoted to housing." Thus the proceeds of the loan cannot be used for the construction or purchase of residential housing. However, this is interpreted to mean permanent housing. Thus loans to motels or hotels or for the construction of motels or hotels are eligible.

3. Passive Real Estate Ownership - The loan cannot be used to finance passive real estate ownership. Passive real estate ownership would occur if a company were to buy land or buildings simply as an investment, without developing or improving the real estate in any way, and without intending to use it for its own business operations.

   It is important to stress, however, that except for the restrictions against passive real estate ownership and housing discussed above, the program can be used for real estate financing. For example, the program can be used to assist a company to finance the acquisition of land or buildings intended to be used in the business operations of the company. In addition, the program can be used to finance the activities of a developer or builder in acquiring real estate for development or in constructing or renovating a building. In the case of a loan to a developer for construction or renovation financing, the loan under the program should be intended to cover the period through the construction or renovation phase. The permanent financing can be also be included, if the borrower will be the company that will use the real estate for its own business operations.

4. Refinancing Prior Debt Which Is Not in Program - A bank is not permitted to take an existing loan on its books (or on the books of an affiliate) which is not in the program and simply refinance it, without adding new money, and put the refinanced loan under the program. However, if a bank refinances an existing loan and adds new money by increasing the outstanding balance, it is permissible to cover under the program an amount not exceeding the amount of the new money. For example, if an existing loan, not under the program, has an outstanding balance of $200,000, and that loan is refinanced with a new balance of $300,000, the refinanced loan can be enrolled under the program, but the covered amount could not exceed $100,000.

5. Conflicts of Interest - A bank is not permitted to use the program for "insider" transactions. Insider transactions are defined to include a loan to an executive officer, director or principal shareholder of the bank, a member of the immediate family of such an executive officer, director or principal shareholder, or to a company controlled by any of these people. The basic definitions used in this conflict of interest prohibition tie in to basic terms used in the Federal Reserve's Regulation O, which the bank has to be familiar with in any event for their normal operations.

6. Size - There are no borrower size requirements or minimum or maximum loan sizes. It is recognized, of course, that the structure of the program will tend to focus the program to assisting small and medium sized companies. However no arbitrary limits are provided. It should be noted, however, that the maximum amount to be paid by the MSF into a bank's earmarked reserve in connection with any one borrower shall be $150,000 in any three year period, unless the MSF has approved, in writing, a greater payment. With the MSF making payments of between 3% and 7% of the loan amount, a $150,000 contribution would support a loan of anywhere from $2.1 million to $5 million, a large loan indeed. Providing for advance authorization before the $150,000 limit is exceeded will assist the MSF in monitoring the sufficiency of its own allocated funds.

Collection and Claims

The process for a bank getting reimbursed for losses on loans made under the program is intended to be as routine and nonbureaucratic as the process for enrolling loans under the program. The MSF simply relies on the bank to exercise reasonable care and diligence in its collection activities. If a loan gets into trouble, the program calls for the bank to determine when and how much to charge off on an enrolled loan in a manner consistent with the bank's normal method for making such determinations on its conventional business loan. A bank would file a claim under the program at the time it charges off all or part of a loan. The claim may include the full amount of principal charged off, plus accrued interest, plus out of pocket expenses. (If the amount of the loan that the bank covered under the program is less than the amount of principal charged off, then the amount of principal and accrued interest included in the claim shall not exceed the principal amount covered under the program, plus accrued interest attributable to such covered principal amount.)

In keeping with the extremely nonbureaucratic nature of the program, the claim form submitted by the lender to the MSF is only a half-page form. The program envisions prompt and routine payment.

The program is structured so that when the bank makes a loan and then enrolls it in the program, the bank is automatically making a small number of representations and warranties to the MSF that the loan complies with program requirements. If the bank later suffers a loss on that loan and properly files the claim form, the only grounds for denial of the claim would be if the representations and warranties made by the bank at the original time of the enrollment of the loan were known by the bank to be false at the time the loan was filed for enrollment.

The claims process allows a bank to recover its loss at the time it recognizes the loss, prior to having to exercise its collateral rights or other legal remedies in connection with the loan. However the bank would be expected to continue to exercise its collateral or other rights in a manner such as it would do for a conventional bank loan. If there were a subsequent recovery from the exercise of such rights, so that the amount of loss ultimately were less than the amount for which the bank had been reimbursed from the earmarked reserve, the bank would put the relevant amount of the recovery, net of out of pocket expenses, back into the earmarked reserve. This is similar to the process that a bank would follow in putting recoveries on conventional loans back into the bank's internal loan loss reserve.

As described above, the intent of the program is for the bank to be fully responsible for collection activities and for the MSF to stay out of the bank's way. However, as a safeguard against the extreme situation where a bank is abusing the intent of the program by ignoring its obligation to exercise reasonable care and diligence in its collection activities, the MSF will reserve for itself, in limited circumstances and as a last resort, the right to be subrogated to the rights of the bank. The subrogation would apply to any collateral, security or other right of recovery, in connection with a loan, which has not been realized upon by the bank. This provision could only take effect after the bank has filed a claim and has had its loss fully covered. It is hoped that the MSF will never have to exercise this right of subrogation.

Maintenance of the Reserve Fund

A central concept of the program is that the MSF owns the funds in the bank's earmarked reserve, but that these funds are legally dedicated solely to cover losses on loans made by the bank under the program. Legally, the MSF actually pledges the funds in the reserve fund to be available to pay claims on loans under the program.

For administrative convenience for both the MSF and the bank, and to provide an extra benefit to the participating bank, it is the plan of the MSF to open up an account at the bank, and deposit the monies in the bank's earmarked reserve right at the bank. The plan, as it is now being implemented, involves establishing a money market deposit account in the MSF's name at the bank's published rate of interest.

It should be pointed out that although the above procedure is consistent with the full intent of the MSF, and there are no plans to do otherwise, the legal Agreement between the bank and the MSF in no way binds the MSF to maintain the funds in a deposit account at the bank. Thus, for example, if a bank abuses the intent of the program, the MSF will have the flexibility to close that deposit account and deposit the monies in the reserve elsewhere. However, this wouldn't change the legal status of the reserve as dedicated solely to cover losses from loans that the bank makes under the program. Moreover, in the event that the MSF does not deposit the funds in an account at the bank, the funds may be invested or deposited only in 1) direct obligations of the United States government or the State of Michigan, or in obligations the principal and interest of which are unconditionally guaranteed by the United States or the State of Michigan, or 2) a deposit account at a federally insured depository institution.

Half of the interest earned on the funds in the bank's earmarked reserve will stay in the reserve, to help build it up. The MSF is authorized to withdraw the other half of the interest for use by the MSF for whatever use the MSF Board determines.

Although the MSF technically owns the funds in the reserve, it is intended and expected that banks will develop a proprietary interest in the reserve. The reserve earmarked for a bank takes on the character of an off balance sheet asset of the bank, which enables it to be more aggressive in its lending activities. The bank controls the amounts of payments going into the reserve and the reserve is reduced only when a bank suffers a loss on a loan made under the program. The program rewards good performance, in that as loans are successfully paid off, the funds stay in the reserve, and actually increase over time through the earning of interest. However, if at some point in the future the bank were to completely drop out of the program, and after all of the loans previously made had all been paid off, the MSF would ultimately be able to withdraw the funds from the reserve.

Bankers sometime ask why the bank wouldn't be able to get back some or all of the funds from the reserve in the event that they have dropped out of the program and the loans have been paid off. The primary answer is that a key provision in maintaining the structural integrity of the program is that the bank can only gain access to the funds in their earmarked reserve to cover losses on loans made under the program. If a bank knew that it could ultimately withdraw funds from the reserve after dropping out of the program, this might create an incentive for the bank to put conventionally bankable loans under the program, because the bank might reason that it will ultimately get the money back anyway. By contrast, if the only way that a bank can gain access to the funds in the reserve is to cover losses from its program loans, the only way that a bank can ultimately get any advantage from the program is to use it for its intended purpose, as a flexible tool to enable the bank to expand its markets by taking more risk than it otherwise could take.

The program contains a formula for addressing the effective dropping out of the program by the bank. If for a consecutive 24 month period the amount in the reserve fund continuously exceeds the outstanding balance of all of the bank's enrolled loans made since the beginning of the program, the MSF is authorized to withdraw any such excess to bring the reserve down to an amount equal to 100% of the outstanding balance. As a practical matter, this formula would only come into play for a bank that has effectively dropped out of the program. Even if a bank has been inactive for a long period, if it begins making loans during the 24 month period, the aggregate outstanding balance would generally quickly exceed the reserve. The formula is thus intended to give the MSF the ability to withdraw funds from the reserves earmarked for banks that have effectively dropped out of the program, but to do it in a manner that in no way jeopardizes the protection that the reserve provides for any loans still outstanding.

Early Stage Incentives

How does a bank proceed in the early stages of its participation in the program, before a substantial reserve has been built up? Many banks will understandably have a tendency to be rather cautious initially. As the reserve begins to build up, and as the bank gains more experience under the program, the bank may gradually evolve to a more aggressive posture, expanding its margins that much further.

Even if a bank is unfortunate enough that one of its early loans in the program gets into trouble, it is likely to be some time before the loan actually defaults, and by that time hopefully the bank will have a portfolio of loans and have built up an adequate reserve. Nevertheless, other things being equal, there is some extra risk attached to these early loans made before a substantial reserve has built up.

Thus, in order to assist a bank to build up the reserve more rapidly and to address risk issues in the early stages of a bank's participation in the program, two special features have been included in the program. The first special feature applies to the first $2 million of loans that a bank makes under the program. This feature provides that the MSF will contribute a greater portion to the reserve. While the minimum and maximum payments for the borrower and the bank would remain the same, the MSF, rather than simply matching 100% of the combined total of the borrower and the bank, will instead contribute an amount equal to 150% of the combined total of the borrower and the bank. Thus, in the minimum case, the borrower contributes 1.5%, the bank 1.5%, and the Strategic Fund 4.5%, for a total of 7.5%. In the maximum case, the borrower would contribute 3.5%, the bank 3.5%, and the Strategic Fund 10.5%, for a total of 17.5%. This first special feature is designed to help build the reserve more rapidly, and to give the bank an extra incentive to begin to use the program.

The second special feature applies to the first $5 million of loans that a bank makes under the program. If one of those loans suffers a loss and at the time of the loss there is not enough in the reserve to fully cover that loss, the bank would initially be able to withdraw all of the amount in the reserve at the time of the loss, to cover the loss as much as possible. If the bank then continues making loans under the program and begins to build the reserve back up, the bank would be allowed to withdraw from the reserve at a subsequent time in order to fully cover the earlier loss. (The only restriction is that the amount subsequently withdrawn to cover the earlier loss cannot exceed 75% of the amount in the reserve immediately prior to such subsequent withdrawal.) Thus, even at the beginning of its participation in the program, the bank has the comfort of a portfolio insurance effect, because it knows that if in the long term its losses are kept to a reasonable level, it will be fully protected against loss, and the bank won't suffer due to unlucky early losses.

The Process for a Bank to Sign Up for the Program

The MSF Board has approved a master form of Agreement to be separately entered into between the MSF and each bank that wishes to participate in the program. Entering into this Agreement does not commit a bank to make any loans under the program, but does spell out the full and official parameters that apply if a bank makes loans, and the obligations of the MSF and the bank under the program.

In its resolution approving the form of Agreement and authorizing the MSF staff to enter into such Agreements, the MSF Board stated that "it is the policy of the Board that such Agreements should be entered into with any depository institution, which has its principal office located in Michigan, that wishes to enter into such Agreement and that has sufficient experience and capacity to participate in the program, and that such depository institution should be considered to have such experience and capacity absent any credible evidence to the contrary."

Consistent with the entire approach to the program, the process for a bank to sign up to participate is thus being kept simple and routine. Staff is utilizing a half-page application form to obtain information on a depository institution's year-end commercial and industrial loans outstanding for each of the last three years. Absent any credible evidence that a depository institution lacks sufficient experience and capacity to participate in the program, staff is signing up lenders that wish to participate by entering into the Agreement.

Reliance on Banks to Be Responsible

The Capital Access Program has been structured throughout to give banks the maximum possible freedom to make intelligent private sector lending decisions. Structural incentives are built into the program to promote program goals. Nevertheless it is also important to emphasize that the MSF is relying on the participating banks to be responsible. The ability of the MSF to keep the program simple and effective will be sustained if the participating banks attempt to adhere not only to the letter of the program requirements, but also to the spirit and intent of the program.

In order to be able to implement the program in a fully nonbureaucratic manner, the MSF needs to be able to prevent the program from being abused. So that the MSF can move quickly if necessary to stop abuses, the MSF retains, in the legal Agreement entered into with each participating bank, the absolute discretion to terminate a bank from the right to make new loans under the program. (This wouldn't affect the status of loans already made under the program.) Obviously the MSF's objective is to have as many banks as possible use the program successfully. Thus it is the MSF's intention to enforce this provision against a particular bank only if such bank has exhibited a pattern of abuse of the intent of the program. It is hoped that this authority will never have to be used.

As a bank begins to use the program, to assist the bank in particular cases it will probably be helpful for bank staff from time to time to seek informal clarifications regarding the objectives and intent of the program. The MSF staff will endeavor to provide quick responses. The MSF plans on making this program a model for government responsiveness and effectiveness, so that the program can have maximum benefit for banks, Michigan businesses, and the state.

STATE OF MICHIGAN

REPORT AND RECOMMENDATIONS

August 1, 1986

EQUAL ACCESS TO CREDIT FOR
WOMEN BUSINESS OWNERS

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APPENDIX (Available upon request)

S. 1486-H.R. 1575 Equal Credit Opportunity . . . . A

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TESTIMONY (Available upon request)

EXECUTIVE SUMMARY

Women Business Owners in Michigan own 36% of the businesses and are the fastest growing segment of the small business community. Women are starting businesses five times faster then men. It has been projected that women will own 50% of the businesses by the year 2000.

In spite of this phenomenal growth rate women entrepreneurs' major obstacle in the development and expansion of their businesses is equal access to capital.

In March and May of 1986, Doug Ross, Director of the Michigan Department of Commerce, met with 35 top women business owners from around the state to discuss issues and strategies. The number one concern of this group was their difficulties in obtaining financing.

The testimony given by the women at the four public hearings identified one overriding concern. In their opinion, women do not have equal access to credit and are discriminated against in the business and commercial loan process. Lenders perceive women-owned businesses as high risk investments due to misperception about women's ability, experience and commitment to operate successful businesses. Women are charged excessive amounts of interest and collateral (up to 5 times the loan amount) and co-signatures are required even from women who have attained personal credit in comparable amounts. Furthermore, 84% of the businesses owned by women are in the category of service, retail or wholesale, and in banking terms, have "soft assets" which lenders perceive as poor collateral for loans. Therefore, due to the type of business owned by women, additional perceptual discrimination is experienced.

Existing laws such as the Equal Credit Opportunity Act prohibit discrimination based upon age, sex, race or religion and have significantly improved womens ability to obtain personal loans. Unfortunately, legislation did not go far enough and specific exemptions from the requirements of Regulation B of the Federal Reserve Board granted to lenders, have made it easier to deny commercial and business credit to women or offer loans with discriminatory terms.

BACKGROUND

The annual appropriation act, Public Act 112 of 1985 contained a new reporting requirement for Local Development Services Bureau in the Commerce Department. Section 8 (4) of Public Act 112 required the Office of Women Business Owners to study state laws that affect equal business credit and truth-in-lending for women business owners. The boilerplate also states that the Women Business Program should propose new legislation which will give women equal credit opportunities and improve their access to both private and public financing.

Pursuant to this requirement the Office of Women Business Owners established a working group and held 4 public hearings throughout the state providing women the opportunity to discuss their experiences while requesting and or obtaining business loans. The working group studied state and federal laws that affect equal business credit and have made recommendations to insure equal access to credit for women.

It is therefore, the recommendations of this working group to:

1. Support the present US House and Senate Equal Access to Credit Bill;
2. Enact state legislation paralleling the federal legislation;
3. Monitor the commercial loan process;
4. Develop reporting requirements;
5. Establish policies to enforce fair lending practices;
6. Support the development of a Women's Business Industrial Development Corporation (BIDCO);
7. Develop a public education and awareness component.

The goal of these recommendations is to provide the women of this state equal access to credit enabling them to participate, compete and prosper equitably in the business communities of Michigan.

A detailed appendix of the Legislation and copies of the testimony from the four public hearing is available upon request. Submit all such requests to:

Barbara Gentry
Michigan Department of Commerce
Office of Women Business Owners
P.O. Box 30225
Lansing, MI 48909
Telephone Number: 517/335-2166

SUMMARY OF TESTIMONY & ISSUES

The Michigan Department of Commerce, Michigan Department of Civil Rights and the Michigan Womens Commission, co-sponsored four public hearings throughout the state regarding women's access to capital. The Financial Institution Bureau was represented on the panel and in each community, local co-sponsors represented the Chambers of Commerce, Women Business Owners, Women's Divisions of the Chamber and Small Business Centers. The co-sponsorship is listed in the Table of Contents. The locations and dates were:

Southfield	July 21, 1986
Jackson	July 22, 1986
Flint	July 23, 1986
Lansing	July 24, 1986

At these hearings the women were asked to share their experiences in requesting or obtaining commercial loans. They were asked to include such information as:

* What type and amount of collateral was pledged to secure the loan?
* What interest rates were charged?
* Were co-signatures required?
* What type of business is owned?
* Was notice of denial provided, and what were the reasons?

Women were not required to disclose their names nor the name of the lending institution unless they so desired. Many women did not testify because they were concerned with reprisals or loss of their existing banking relationship. As one woman stated, "I do not want to jeopardize my chance to go to the well, even though it only dribbles out to me." Several women wrote letters providing testimony which are included in the appendix.

In general, the testimony clearly defined the discrimination women experienced in the commercial loan process. Women are unanimous in their opinion that they were discriminated against by lenders because they were women and perceived by lenders:

1. As not having the experience, ability or commitment to run a business successfully;

2. as owning businesses for hobbies, a way to pass the time, or just to make "extra" money.

Businesses owned by women are generally in the banking category of "soft assets" (service, wholesale and retail business), which are generally perceived as higher-risk investments than manufacturing assets. To date there is no documentation to support any of these assumptions.

The most flagrant abuses and discriminatory loan practices are in the areas of co-signatures (when women have proven credit worthy in their own right) and excessive collateral pledged to secure loans. Because lenders perceive women as poor risks, they require additional co-signatures from (usually) husbands, sons, fathers, or uncles and attach most of the tangible assets (often in excess of five times the amount of the loan) that the women own. One woman business owner needed a small loan for a piece of equipment. This woman has established a long and good personal credit history and is also employed as a full-time teacher. When she went to the lending institution, she had to pledge her house, furniture, and her stamp collection. "My goodness" she said, "What is sacred?" "In the whole process of not only purchasing a home and having a career as a teacher with a very stable income, I just couldn't believe it. I have never had to go through this sort of thing for credit whatsoever."

The most outrageous testimony was from a woman who had been employed by a drilling company for 19 years. The owner was 75 years old and wanted to sell. "More or less as job security at my age, I figured it a little hard to get a new job, so I decided I would try to buy it." She started applying for loans in 1983 and finally received her loan in 1985. One lender actually said, "Wouldn't you rather start a dress shop." Another lender asked her if she was capable of scheduling jobs.

This company was located in Ohio with six employees and assets of $495,000 and the woman wanted to relocate the business in Michigan. After two years of seeking private and public funds, she was finally granted a loan of $120,000 from a bank and had to pledge all the assests of the company (machinery, building, and equipment), her personal assets, and a second mortgage of $75,000 on her home, all totaling $700,000. Along with this collateral, the previous owner of the company had to put $30,000 in CD's in the bank as security until this woman had paid off the first $30,000 of her $120,000 loan. She also had to take out a life insurance policy for the loan amount. The company is now in Michigan, has 22 employees and grossed over $695,000 in her first year of operation. This woman's son, who recently graduated from college, went to work for her in November 1985. She has made him vice president and given him 1,000 shares of stock.

Six months ago she applied for a $20,000 working capital loan, for payroll secured by $116,000 in receivables and the bank made the 25 year old son co-sign. Two months ago she requested $17,000 for a new truck and, again, her son had to co-sign. In her statement, "I don't feel that I should have a 25 year old son sign because I have been divorced for 20 years and the bank couldn't get a husband to sign. I feel they really took me. When it came to collateral, they just took everything. I don't think that was necessary because it would be different if I didn't know what I was doing. I worked for the company for 19 1/2 years. I do know what I'm doing. I don't know anything about a dress shop, but I do know the drilling business. I still have trouble convincing them."

Another woman testified that she started a temporary secretarial service company four years ago. She has had a steady growth and remains in the black. She has approximately 100 clients. She went to the bank for a $10,000 equipment loan. The bank requested her car and other equipment as collateral. She said, "I finally got my commercial loan, I really felt good about it, but, you know my husband had to sign for me and it's like being a child. It's like, we'll give you the loan but daddy has to be there to make sure that it's going to be paid. That's not fair. "What does this mean for me? Three years from now, will I still have to have my husband's signature and a lien on my house for a loan? When can I get credit on my own? My clients have confidence in me. How come the bank doesn't have that much confidence in me? I can go into any retail store in this town and get a $5,000 credit limit by just signing my name on a piece of paper, but I can't even go into the bank to get nothing without somebody standing there holding me up."

Most women testifying have expressed an ability to obtain personal loans in small amounts. In most instances, they get personal loans for their businesses. They can obtain personal credit limits below $5,000 or $10,000 but it is difficult to obtain larger lines of personal credit. One of the women said she has six credit cards totaling $15,000 and she uses that borrowing power for her business. The problem is that the interest rate is between 18% and 24%, which is very expensive for a small business. These interest rates deter significantly a woman's ability to expand the business. In spite of these obstacles, women are still succeeding.

Single or divorced women testified that it was even more difficult for them to obtain loans because they did not have that additional income from a spouse or a male to co-sign for them. A single women who has owned a successful manufacturing company for six years testified that she went to a lender for $25,000 working capital and expansion loan. The loan officer had her pledge all of her personal assets, started counting her rings and charged her 3% over prime. He then required her father to co-sign. Her father has borrowed hundreds of thousands of dollars on his signature and could have loaned her the money at prime, but she is still trying to get commercial credit in her own right. As most women stated, "When will this end? Are our daughters going to be faced with this?"

Several women doing business with the state testified that lenders would not take purchase orders as collateral. They could not get loans from lenders to deliver the products or services for which they had been awarded the bids. One woman said, "The banks told us that contracts with the state was not real collateral, only paper", and would not loan the operating capital. Several women lost valuable contracts because they did not have sufficient capital to perform.

One woman has lost over $400,000 in contracts because she could not obtain the operating capital.

The economic range of the problem encompasses women entrepreneurs who are interested in business ownership to create wealth to economically disadvantaged but talented entrepreneurial women who have no tangible collateral to secure loans.

1. A woman who owns a waste recovery company and has a $60 million project could not get funding in this state and has gone to the international market where the Austrian government is entering into a joint project with her to finance the facility.

2. Minority women expressed experiences of clearly defined racial discrimination. One woman testified that her banker was willing to trade sexual favors for loans. Older woman expressed awareness of their inability to obtain loans due to their age.

All of this discrimination is subtle and difficult to prove. It is not possible to prosecute attitudes, yet it is possible to enact laws that change behavior.

The following segment discusses the existing federal and state laws that affect equal business credit and truth in lending in both the public and private market.

SUMMARY OF EXISTING LEGISLATION

Current Law

THE EQUAL CREDIT OPPORTUNITY ACT of 1974 (ECOA) (Appendix A) prohibits discrimination in credit transactions on the basis of race, color, national origin, sex, marital status or age. A number of provisions are contained in the Act which are designed to protect against discriminatory practices.

The Act provides for the promulgation of regulations by the Federal Reserve Board (Fed), authorizes the Fed to make classifications and distinctions, and specifically authorizes the Fed to exempt from the provision of the Act any class of business or commercial transactions under the narrowly defined circumstances.

Regulation B, which was promulgated by the Fed under this statutory authority, affords special treatment to certain commercial credit transactions and in addition, exempts all business and commercial credit transactions from the provisions of the Act relating to the following:

(a) notification of adverse action unless requested by the borrower within 30 days of notice of denial, including written statement of reasons for the adverse action;

(b) retention of records, including information used in evaluating the application unless specifically requested in writing by borrower within 90 days of the adverse action; and

(c) information concerning marital status.

(d) notification to credit applicants for the need to request the retention of credit files and written statement of reason for denial,

Pending Legislation

SB 1486 and H.R. 1575: Equal Access to Credit

Bills to amend the Equal Credit Opportunity Act (ECOA) (Appendix B) were introduced simultaneously in the US House by Congressman Parren J. Mitchell and US Senate by Senator Robert Dole in March 19, 1985. This legislation would strengthen the ECOA to rescind the exemptions for commercial and business loans.

Exemptions from some protections of ECOA are the basis for what appears to be an industry-wide perception that business credit is not subject to any provisions of the ECOA. As a result, women and minorities are still subjected to subtle discriminatory practices that are difficult to detect or prove.

In the 98th Congress, during Small Business Committee hearings on H.R. 3832, the Women's Business Ownership Act of 1984, Chairman Parren J. Mitchell agreed to work with Congresswoman Lindy Boggs in finding solutions to the problems facing women business owners and asked the women's groups, who appeared as witnesses, to bring their recommendations. Congresswoman Boggs, the National Association of Women Business Owners (NAWBO), and the Congressional Caucus on Women's Issues presented Equal Access to Credit as a key issue and supported rescinding the current exemption of business credit transactions from certain provisions of the ECOA. Removal of the business credit exemption has emerged as an important issue to minority business concerns as well.

On March 19, 1985, Parren Mitchell introduced H.R. 1575 on behalf of himself and Congresswoman Boggs. H.R. 1575 amends the Equal Credit Opportunity Act of 1974 (ECOA) to restore the protection of the Act to business credit transactions except for narrowly defined classes or distinctions. Moreover, future such exemptions must be made pursuant to methods designed to permit open scrutiny, public comment, and due process.

H.R. 1575 accomplishes this by subjecting any ECOA business credit exemption to the hearing process, conducted according to the Administrative Procedures Act (APA), with formal determinations and findings, and limiting any such exemption to a five-year period after which time another hearing would be required.

Arguments against the bill are the same arguments made against the original ECOA legislation. Loan officers are reluctant to keep records or to provide a written statement of reasons for denial of a loan application. They claim H.R. 1575 will make loans to small business harder to get.

The ECOA, however, never intended a business credit exemption. The ECOA legislative history clearly states that business and commercial credit were to be subject to the same protections against discrimination as other types of credit transactions. The ECOA provides for exemptions or classifications and distinctions, but only if there is an "express finding" that application of the Act's provisions would not further the goals and purposes of the Act.

H.R. 1575 clarifies that original intent and closes a regulatory loophole. Valid distinctions can still be drawn and justifiable exceptions made, but by formal proceedings only.

The bill has been incorporated into H.R. 2472, the Women's Economic Equity Action (EEA) package introduced by the Congressional Caucus on Women's Issues, with widespread bipartisan support.

H.R. 1575 was referred to the Subcommittee on Consumer Affairs of the House Committee on Banking, Frank Annunzio, Chairman. An identical bill has been introduced in the Senate by Senators Dole, Byrd, and others.

THE COMMUNITY REINVESTMENT ACT

The federal Community Reinvestment Act (CRA) provides that "regulated financial institutions have (a) continuing and affirmative obligation to help meet the credit needs of the local communities in which they are chartered." Federal regulators have been given a mandate by Congress to use their powers of regulation and examination to encourage banks to meet their obligations. Federal regulations require that the record of the institution in meeting credit needs must be taken into account in connection with the approval of bank applications for changes in corporate structure.

Since enactment of P.A. 177 of 1985, Michigan law has also provided for a community investment assessment by the Commissioner of Financial Institutions as a condition of approval of an interstate acquisition or merger. See Appendix C.

The commissioner must consider among other factors spelled out in federal regulations:

- the activities of the bank in assessing community credit needs and communication with the community regarding the credit services the bank provides;
- evidence of illegal or discriminatory acts;
- the bank's origination of residential mortgages, home improvement and rehabilitation loans, small business and small farm loans or the purchase of such loans originated in the local community;
- the participation of the bank in governmentally insured, guaranteed, or subsidized programs for housing, small business, or small farms;

- The CRA process creates opportunities for individuals and organizations within a community served by a banking organization to assess and comment on a bank's performance in meeting their credit needs and to challenge an application if those needs are not being met.

State

SECTION 147A of the Michigan Penal Code (Appendix D) provides for non-discrimination in decisions to extend credit based upon race, color, religion, national origin, marital status, sex or physical handicap excepting certain non-profit corporations. The Act makes such unlawful discrimination a misdemeanor, punishable by a fine of up to $1,000 and also permits a civil action for damages upon finding of a violation.

THE ELLIOTT - LARSEN CIVIL RIGHTS ACT is a statute which prohibits unlawful discrimination in areas of employment, housing, public accommodations, and public service and education, based on race, religion, color, national origin, age, sex, marital status and in employment; body, height, weight and arrest record. The Act generally sets the procedures for handling such complaints, including remedies for violations.

EQUAL ACCESS TO CREDIT: WORKING GROUP SPECIFIC RECOMMENDATION

Legislation

Problem 1:

Because woman-owned businesses are perceived as a high risk for commercial or business loans excessive collateral and co-signatures are unnecessarily required from the women who are already credit worthly in their own right.

Recommendation 1:

Promote the passage of the Federal Regulation on Equal Access To Capital by:

1. The Office of Women Business Owners' communication of its findings and recommendations to the U.S. House Banking Committee and the Michigan Delegation.
2. Working with the federal committee and various women business organizations in this state to support the enactment of this bill; and
3. Enlist the support of the state's legislative liaison to lobby this issue.

In addition, a broad legislative proposal patterned after the Federal Equal Access to Capital Bill should be introduced and supported on a state level.

Problem 2:

Women continue to be discriminated against, on the basis of sex, age, marital status and race in the commercial credit market.

Recommendation 2:

That proposals be made to the legislature to clarify the coverage of the Elliott-Larsen Civil Rights Act (ELA) in the area of public accommodations so that the prohibitions contained therein on difference of treatment in the granting of any privilege including that of commercial credit extension or commercial lending practices, which may be causally conditioned upon region, race, sex, national origin and age, etc. And furthermore, that the study be made of the problems which women may encounter in efforts to obtain fair and equal access to personal credit, for possible inclusion in future legislation.

Monitoring & Reporting

Problem 3:

Women continue to experience discrimination in the form of differential terms while obtaining commercial loans including; higher interest rates, excessive collateral, unnecessary co-signatures and short term loan's. Presently, there is no system to compare, maintain and document the variations in the terms and conditions of the loans.

Recommendation 3:

Develop a system using a standardized form whereby federal and state chartered lending institutions report the activity of business loan requests on a quarterly basis, including but not limited to the following information:

- amount of loan
- value of collateral pledged
- term of loan
- co-signatures and relationship of co-signer
- gender and race of applicant
- reason for denial or variation term.

In order to assure that all licensed lending institutions are using relevant economic criteria in granting commercial credit, lenders shall retain records on commercial credit applications for a period of not less than 25 months. The Financial Institutions Bureau and the federal banking agencies should use these existing regulatory authorities to examine for compliance with Equal Credit Opportunity Laws using this data as a starting point and take appropriate enforcement action, when necessary. In addition, to examining for compliance with ECOA, the Financial Institutions Bureau and the federal bank regulatory agencies shall assess the record of each bank in affirmatively promoting commercial lending to Women Business Owners and shall make the results of this assessment a key factor in their Community Reinvestment Act rating.

Loan Fund

Problem 4:

Eighty-four percent of the business owned by women in this state are in the area of service, wholesale and retail. In banking terms, these are businesses with soft assets and are perceived to be high risk investments, therefore financing is more difficult to obtain than for a business with tangible assets such as manufacturing.

Recommendation 4:

Support and encourage the formation of a Women Business and Industrial Development Corporation (BIDCO). With the investment flexibility of a non-bank lender, the BIDCO could invest in businesses that would otherwise have difficulty obtaining credit because they are perceived to be a high risk investment for conventional lenders. The BIDCO would, thereby enhance Michigan's re-emergence as a viable business enterprise state.

Problem 5:

Women business owners continue to lose state contracts because they cannot obtain the operating capital to perform on the state contracts. This affects their ability to develop prosperous, viable businesses.

Recommendation 5:

The Legislature amend Public Act 428, P.A. 1980 to provide that any woman or minority business owner denied commercial credit to perform on a state or federal contract may bring such denials to the attention of the state's Affirmative Action Officer, the Lieutenant Governor, who will contact the appropriate regulatory agency to review the reason for denial.

Public Awareness

Problem 6:

Women business owners are unaware of the laws that prohibit discrimination in the loan process and their rights and remedies in the event that a loan is granted or denied on discriminatory terms.

Recommendation 6:

Establish a clearing-house and dissemination system for information regarding the commercial loan process and that this clearing-house sponsor workshops addressing these issues and publish brochures outlining the rights of women in the commercial loan process. Further, that it should produce materials, conduct educational programs, and provide training to Women Business Owners so that they can more fully exercise their rights under the Community Reinvestment Act, ECLA and ECOA at state and federal levels.

Problem 7:

As evidenced in the testimony, both lending institutions and women have perceptions and attitudes about each other that conflict with their ability to do business in a mutually beneficial manner.

Recommendation 7:

Promote communication linkages between women business owners and lending institutions, including but not limited to the following recommendations:

a) Co-sponsor meeting with lenders and women business owner groups to discuss issues, clarify obstacles and design solutions;

b) Host conference bringing in lenders who have extensive experience in lending to businesses with soft assets to discuss their programs and encourage Michigan lenders to adopt simillar approaches.

c) Develop a voluntary review board, similar to the "Voluntary Mortgage Review Board," comprised of representatives of financial institutions, local government and women's organizations. These groups would convene periodically to review credit applications of business women who believe they have been denied credit unfairly and would provide the opportunity for re-appraisal and possible loan commitment.

WORKING GROUP MEMBERS:

MICHIGAN DEPARTMENT OF COMMERCE

DEPARTMENT OF CIVIL RIGHTS

MICHIGAN WOMAN'S COMMISSION

WORKING GROUP CHAIR:

BARBARA GENTRY

MICHIGAN DEPARTMENT OF COMMERCE

OFFICE OF WOMEN BUSINESS OWNERS

P.O. BOX 30225

LANSING, MI 48909

TELEPHONE NUMBER: 517/335-2166

LANSING HEARING

CO-SPONSORS

Michigan Women's Commission
611 Ottawa Street
P.O. Box 30026
Lansing, Michigan 48909

Panelist: Maria Velasquez
Commissioner

Business Women's Council
Lansing Regional Chamber of Commerce
P.O. Box 14030
Lansing, Michigan 48901
517/487-6340

Panelist: Martha Mertz

Michigan Department of Commerce
525 West Ottawa
P.O. Box 30225
Lansing, Michigan 48909

Panelist: Barbara Gentry, Director
Office of Women Business Owners

Michigan Department of Civil Rights
303 West Kalamazoo
Lansing, Michigan 48909

Women Business Owners of Greater Lansing
205 South Larch Street
Lansing, Michigan 48912
517/487-6286

Panelist: Gloria Fleming, President

PANELIST

Peggy Bryson, Director
Research & Urban Investment
Financial Institutions Bureau
111 South Capitol
Lansing, Michigan 48933

FLINT HEARING

CO-SPONSORS

Michigan Women's Commission
611 Ottawa Street
P.O. Box 30026
Lansing, Michigan 48909

Panelist: Tessie Sharp
Commissioner

Flint Area Chamber of Commerce
708 Root Street
Flint, Michigan 48503
313/232-7101

Panelist: Larry Ford, President

Michigan Department of Commerce
525 West Ottawa
P.O. Box 30225
Lansing, Michigan 48909

Panelist: Barbara Gentry, Director
Office of Women Business Owners

Flint Small Business Center
708 Root Street
Flint, Michigan 48503
313/232-7101

Pat Martin, Director

Michigan Department of Civil Rights
303 West Kalamazoo
Lansing, Michigan 48909

Women's Division of the Flint Area Chamber of Commerce
708 Root Street
Flint, Michigan 48503
313/232-7101

Panelist: Charlotte Brannstrom
Executive Vice President

Women Business Development Center
708 Root Street, Suite 325A
Flint, Michigan 48503
313/239-0311

Panelist: Sudie Ware, Director

PANELIST

Peggy Bryson, Director
Research & Urban Investment
Financial Institutions Bureau
111 South Capitol
Lansing, Michigan 48933

JACKSON HEARING

CO-SPONSORS

Michigan Women's Commission
611 Ottawa Street
P.O. Box 30026
Lansing, Michigan 48909

Panelist: DeLois McDonald
Commissioner

Michigan Department of Commerce
525 West Ottawa
P.O. Box 30225
Lansing, Michigan 48909

Panelist: Barbara Gentry, Director
Office of Women Business Owners

Michigan Department of Civil Rights
303 West Kalamazoo
Lansing, Michigan 48909

PANELIST

Peggy Bryson, Director
Research & Urban Investment
Financial Institutions Bureau
111 South Capitol
Lansing, Michigan 48933

Linda Friese, Vice President
The Forum
Greater Jackson Chamber of Commerce
401 South Jackson Street
P.O. Box 80
Jackson, Michigan 49204

SOUTHFIELD HEARING

CO-SPONSORS

Michigan Women's Commission
611 Ottawa Street
P.O. Box 30026
Lansing, Michigan 48909

Panelist: Dr. Bernadine Denning
Commissioner

Michigan Department of Commerce
525 West Ottawa
P.O. Box 30225
Lansing, Michigan 48909

Panelist: Barbara Gentry, Director
Office of Women Business Owners

Wayne State University
6001 Cass Avenue, Room 214
Detroit, Michigan 48202

Panelist: Nancy Grose, Coordinator
Career & Professional Development

National Association of Women Business Owners
12606 Inkster
Redford Township, Michigan 48239

Panelist: Pearl Holforty, President

Michigan Department of Civil Rights
303 West Kalamazoo
Lansing, Michigan 48909

PANELIST

Peggy Bryson, Director
Research & Urban Investment
Financial Institutions Bureau
111 South Capitol
Lansing, Michigan 48933

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☒ President of Corporation ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☒ Other (specify) Broker of Real Est. Co.	1 2 3 4 5 6 7	60
15. Is this a minority-owned business?	☒ Yes if you consider women a minority ☐ No	1 2	61
16. Is this company:	☒ Privately held ☐ Publicly held	1 2	62

17. Since you became the owner of your business, what have you learned that no one told you? 63 64 65

You must be totally responsible for your own actions and liable for your employees actions. You're on your own. Decision making ability is vital.

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

There is still a lot of prejudise against women, they are not taken seriously by bankers, professionals, etc. when the latter are male. I've had a difficult time borrowing money and have had to use mastercard regularly.

Thank you for your time and assistance. This survey is anonymous and your opinions will remain completely confidential. A summary of the results will be sent to you prior to public availability.

Survey design by:
Marketing Resource Group
and Moore & Associates Inc.

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☒ **Chairperson** ☐ **President** ☒ **Chief Executive Officer** ☐ **Chief Financial Officer** ☐ **Chief Operating Officer** ☐ **Chief Information Officer** ☐ **Other (specify)** ________	1 2 3 4 5 6 7
15. Is this a minority-owned business?	☐ **Yes** ☒ **No**	1 2
16. Is this company:	☒ **Privately held** ☐ **Publicly held**	1 2

17. Since you became the owner of your business, what have you learned that no one told you?

Learned that Bankers can lie to you, put your business in jeopardy and not be held accountable, that you must have a supportive

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

husband to secure bank financing, that business plans don't mean diddly-squat if you don't have at least 3 to 1 Collateral Support (and they want cash), that Chamber of commerces discriminate against women, that no matter how good you are at the game you

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will never be accepted by the men until you can buy and sell them several times over.

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When we started out we had close to $200,000 in real estate Collateral & we couldn't get a dime! The bank gave us $10,000 but only on the condition that we gave them $10,000 cash first. Said we'd establish credit that way. After we did it, paid interest, and paid the loan off they said we'd need to put up equal amt. of cash if we wanted any more $.

Also we discovered that governmental bodies are all playing politics and are not truly interested in helping women. Quite frankly we are fed up with the whole bit 'n kaboodle. We stick with private firms who appreciate our talents and we get loans from guys with crooked noses! The interest rate is high but at least someone values our business! Besides - the banks charge us the highest amt. possible and insist on collateral 3-5 times the value.

Please forgive the constant gripes but the situation in Flint is deplorable. We have worked very hard and made tremendous strides but it never good enough for the bank. They play silly-assed games with us. It is very bad for Michigan because so many women are going into business. I fear they will end up going out of business also and the numbers will be astronomical. The effect will be devastating.

We need a strong intuitive leader in Lansing. Blanchard just doesn't have it. Also - his wife just started a deal at MSU (Prod. Work) that competes with Small Business (non-prof.) This was a #1 concern in WA. D.C. and here we have a gov's wife bragging in the papers how she started getting work & money for students at MSU (herself included)

We don't need more non profs competing - nor do we need Ms. Blanchard leading the way!!!

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson 1 ☐ President 2 ☐ Chief Executive Officer 3 ☐ Chief Financial Officer 4 ☐ Chief Operating Officer 5 ☐ Chief Information Officer 6 ☒ Other (specify) Owner 7
15. Is this a minority-owned business?	☐ Yes 1 ☒ No 2
16. Is this company:	☒ Privately held 1 ☐ Publicly held 2

17. Since you became the owner of your business, what have you learned that no one told you?

That the male ego is so threatened by a women in control of herself.

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

I have had to obtain personal loans in the last 3 yrs. to support my children (ages 17, 15, 14, 12) in the amount of $120,000 - because I could not get any loans from banks.

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☒ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☐ Other (specify) ________	1 2 3 4 5 6 7	80
15. Is this a minority-owned business?	☒ Yes ☐ No	1 2	81
16. Is this company:	☒ Privately held ☐ Publicly held	1 2	82

17. Since you became the owner of your business, what have you learned that no one told you? 83

Two things - the government (State + Federal) discourage success. 84

I should have remained an employee of a court. Maybe I could sleep nights. 85

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

Company financing: 3(b) and Company management 2:
In my area (rural - man-oriented) advisors + bankers are
careful not to discriminate but I feel I'm being humored —
not taken seriously.

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson 1 ☐ President 2 ☐ Chief Executive Officer 3 ☐ Chief Financial Officer 4 ☒ Chief Operating Officer 5 ☐ Chief Information Officer 6 ■ Other (specify) owner 7
15. Is this a minority-owned business?	☐ Yes 1 ■ No 2
16. Is this company:	■ Privately held 1 ☐ Publicly held 2

17. Since you became the owner of your business, what have you learned that no one told you?

1. To depend on yourself. 2. Financial institutions discriminate! 3. Women business owners are readily accepted in small towns. 4. Public still surprised women "can do it" alone. 5 Successful women considered "tough" & "aggressive."

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

Many of these questions "don't fit" the health related service field. Our "marketing" is different & there are no "retail sales." Often, small businesses do not provide employee benefit packages.

I have found much discrimination by banks!!!

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Please publish who we can complain to when banks discriminate + don't clearly state reasons for credit denial. How can we appeal?

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☒ President ☒ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☒ Other (specify) Chairman of the Board	1 2 3 4 5 6 7	80
15. Is this a minority-owned business?	☐ Yes ☒ No	1 2	81
16. Is this company:	☒ Privately held ☐ Publicly held	1 2	82

17. Since you became the owner of your business, what have you learned that no one told you? 83

Success is only achieved by tenacity 84

85

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

4a Loan is paid However — when it was active answers would be:
4b (all five) 5a. Greater 5b. greater than 500%

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ **Chairperson** 1 80 ☑ **President** 2 ☐ **Chief Executive Officer** 3 ☐ **Chief Financial Officer** 4 ☐ **Chief Operating Officer** 5 ☐ **Chief Information Officer** 6 ☐ **Other (specify)** ____________ 7
15. Is this a minority-owned business?	☑ **Yes** 1 81 ☐ **No** 2
16. Is this company:	☑ **Privately held** 1 82 ☐ **Publicly held** 2

17. Since you became the owner of your business, what have you learned that no one told you? 83

That regardless of experience, sales, OR customer base, Banks do not work with women in Mi.

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

The banks in Mi need to be monitered more closely in regard to their Routine practise of stealing business fRom independant lessees when they call for bank references.

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have the time or the money to invest.

I'm proud of my business & what I've accomplished. But it is slowly killing me.

I employ 11 other people — I pump money into the economy — but I am strangled by ungodly rents & taxes & compensation policies.

I try so hard — and it seems no one cares.

Instead of spending money on surveys, why don't you use it to HELP small merchants. We're dying because discounters are taking away customers from businesses built on service. And because no one gives a damn — or will, until we wooly mammoths disappear.

and then, what will people do?

P.S. I know it is a waste of time to make these statements - you, of course, can't do anything.

But you asked.

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☑ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☐ Other (specify) ____________	1 80 2 3 4 5 6 7
15. Is this a minority-owned business?	☐ Yes ☑ No	1 81 2
16. Is this company:	☑ Privately held ☐ Publicly held	1 82 2

17. Since you became the owner of your business, what have you learned that no one told you? 83

That retail is a time consuming people eating job if done right 84

85

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

6 – Co-Mgmt My employees are my friends. They care
about me and I them. We use changing hours –
doubling – & helping, to keep everyone happy.
They also are allowed to use their individual strengths & expertise.

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This survey completely skirts the issue
that owning a retail business which is your only livelihood
takes so much of your life if done right. I can't afford
an accountant to do anything but my taxes so I spend
[illegible] hours & have learned by the "seat of my pants".
Most of this doesn't apply to me. I have a fine, well known
honorable & respected business which has as its strength
the sweat of my brow, my muscle, & my backbone.
I've paid for it in children with no mother at home because
she had to work 80 hours a week. I struggle with tax forms
government regulations & weep in frustration because I can't
afford to pay someone who could do the same work in 1/4 the
time. Frankly, I don't care about the DJIA – I don't

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ **Chairperson** ☒ **President** ☐ **Chief Executive Officer** ☐ **Chief Financial Officer** ☐ **Chief Operating Officer** ☐ **Chief Information Officer** ☐ **Other (specify)** __________	1 2 3 4 5 6 7	80
15. Is this a minority-owned business?	☒ **Yes** ☐ **No**	1 2	81
16. Is this company:	☒ **Privately held** ☐ **Publicly held**	1 2	82

17. Since you became the owner of your business, what have you learned that no one told you? 83 84 85

Taxes out your eye - Workmans comp. to high & keep temp. service.

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

Financing was the hardest. I was a woman, divorced for 11 years until 4 years ago. no bankers would listen, Small Business of Flint Chambers did not even hear me out after I put a plan together was referred to Loan Shark - 25% interest rate - Called in 3 month

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I almost had to close my business because
I couldn't get a loan, the interest from loan sharks were
pulling me under, I had a heart attack the first year, but was
determined to continue. I started my business alone with 60.00
and talked myself into free rent for a month to paint,
a lot of promises to do business with me. I had five
Children to support myself, I was teaching 5 hours a
day also, hired part time sec. to help me. She is still with
ne today, seven years later. I re-married four years ago,
and all the banker want to loan me money now. We
have two business loans so far at Key State. They were the
eat to deal with. I guess loan worth more with a
husband, however, I feel like the same person.

I have worked hard to get where I am today and have no one but my faithful secretary to thank. We couldn't grow for a few years because I didn't have the money. We have a very unique and different service, we are proud of the reputation we have made for ourselves. I have tried to help other womman starting their new business and have been very proud of their progress.

Womman have a tough time, and they get stronger and remember the banks and institutions that wouldn't listen when they finally do become independent and successful. Womman are known to talk and spread the word when they are happy with a service done to them or they can spread the word even faster if they have been done wrong.

my business is like a child to me, I take good care of it. Just because I am now married and have a lot of money value because my name is the same as my husbands, does not mean I am more dependable or responsible for paying back a loan.

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☑ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☐ Other (specify) ____________	1 80 2 3 4 5 6 7
15. Is this a minority-owned business?	☑ Yes ☐ No	1 81 2
16. Is this company:	☑ Privately held ☐ Publicly held	1 82 2

17. Since you became the owner of your business, what have you learned that no one told you? 83 84 85

That owners of small businesses are not necessarily rich!

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

I started my business with some help from my husband (financing) so I haven't experienced any problems with financing like many women have.

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ **Chairperson** 1 ☑ **President** 2 ☐ **Chief Executive Officer** 3 ☐ **Chief Financial Officer** 4 ☐ **Chief Operating Officer** 5 ☐ **Chief Information Officer** 6 ☐ **Other (specify)** ________ 7
15. Is this a minority-owned business?	☐ **Yes** 1 ☑ **No** 2
16. Is this company:	☑ **Privately held** 1 ☐ **Publicly held** 2

17. Since you became the owner of your business, what have you learned that no one told you?

Although you hire others to work, train them and urge them to inspire, their mistakes or errors are ultimately yours! That's fair.

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

P. 7 #3a - One bank wanted my husband to co-sign my notes. I asked if I had to co-sign his. The answer was no! I found a banker who was liberal enough to deal with a woman but it wasn't easy!

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson 1 ☒ President 2 ☐ Chief Executive Officer 3 ☐ Chief Financial Officer 4 ☐ Chief Operating Officer 5 ☐ Chief Information Officer 6 ☐ Other (specify) ________ 7
15. Is this a minority-owned business?	☐ Yes 1 ☒ No 2
16. Is this company:	☒ Privately held 1 ☐ Publicly held 2

17. Since you became the owner of your business, what have you learned that no one told you?

too Long a list to write. and what I learned in School (business classes included) was worthless

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

I dont understand questions on pg 2 - I cannot predict the future & did not answer them

Comments in letter.

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3/24

I am becoming increasingly bitter, as a business owner - I take so many risks, put my entire savings and home on the line - and cannot seem to win, financially. For the first time this year, we sent employees to unemployment in January. Now I have three who are very resentful about being called back unless we can give them full time work - they "cannot afford to work" because they will "lose money" if they come back.
I have a former employee who is on the verge of winning a $25,000+ workman's comp claim because she begged us to let her stay on the job - she said she needed the job for her mental health; in the meantime she had carpals tunnel syndrome and when it worsened and she would not allow anyone to help her with the lifting, etc she quit and later filed for unemployment. My choice at the time, I guess, was to keep her and risk the workman's comp claim, or fire her and risk unemployment claim.
Our entire society is not recognizing that people have choices and are responsible for those choices and their outcome. I have taken the responsibility for mine, and am taking the responsibility for everyone else's too. In spite of the fact that we grossed over One million dollars last year, I took $11,000 out of this business. I could earn more as a cashier at Meijer's and I would get a day off. As long as you tax savings interest, pay people not to work, allow people to have unwanted children by making abortion anything but totally available, and do not teach personal responsiblilty in schools, the responsible among us will continue to support all the others. I see the day approaching when those "others" will be so great in number that the backs of the responsible carrying them will just break under the load. What will you do then? Society will collapse. I used to like the freedom of being my own boss. I now spend my time filling out government forms, requests for wage information, and all kinds of crap, in addition to talking to accountants about taxes, layywer about the comp plaim etc etc. I have very little time do what I used to love - design - and I feel I might as well work for someone else, have no risks, and earn more.

If anyone has an answer to this letter, I'd certainly appreciate hearing from you.

By the way, the very responsible people who work for me as managers all feel exactly the same way. Shawn Moore was killed by a man who was not responsible. My office manager's car was stolen by a man who was not responsible, My best friends car was just stolen by a woman who was not responsible and the Southfield police would not take action to prosecute, my front door was broken last week, and the crap goes on and on. the gun killings in Detroit, the crime rate, false comp claims, the ease of filing for bankrupcy - all are results of our lack of willingness to take a stand against irresponsibility. If I could, I would leave tomorrow and move to Seattle, and work a 40 hour week, and live in a relatively safe environment. I have, however, a ¼ million dollar inventory that ties me to earth, so I ain't going no where. Just don't think I am a Michigan business owner totally out of my love of Michigan or my love of working 70-100 hours a week trying to stay afloat.

Can anyone hear me? EVERYONE I Know is SICK of the same things.

- Daren Otis

And this after 15 years in business

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☑ **Chairperson** ☐ **President** ☐ **Chief Executive Officer** ☐ **Chief Financial Officer** ☐ **Chief Operating Officer** ☐ **Chief Information Officer** ☐ **Other (specify)** ________	1 2 3 4 5 6 7	80
15. Is this a minority-owned business?	☐ **Yes** ☑ **No**	1 2	81
16. Is this company:	☑ **Privately held** ☐ **Publicly held**	1 2	82

17. Since you became the owner of your business, what have you learned that no one told you? 83 84 85

That people will take advantage of a small business

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

The State of Michigan needs more employment training programs. More financial assistance programs for small businesses.

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ **Chairperson** ☒ **President** ☐ **Chief Executive Officer** ☐ **Chief Financial Officer** ☐ **Chief Operating Officer** ☐ **Chief Information Officer** ☐ **Other (specify)** ________	1 2 3 4 5 6 7	80
15. Is this a minority-owned business?	☐ **Yes** ☒ **No**	1 2	81
16. Is this company:	☒ **Privately held** ☐ **Publicly held**	1 2	82

17. Since you became the owner of your business, what have you learned that no one told you? 83 84 85

It is totally consuming

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

2E I was recently notified that I no longer qualified as a woman-owned business because I had not submitted all the necessary documents to the Civil Rights Commission. I had been traveling on business and did not have the time and opportunity to submit these documents again. Since I had done so the year before, had qualified for this rating and since nothing had changed as far as ownership of the business goes, I resented being informed I no longer qualified.

It seems that once you qualify, you should be able to have a simple way to continue this status, without all the legal red tape. I understand the necessity of verifying women-owned business status, but surely it could be done so in an easier fashion.

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☐ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☑ Other (specify) owner/manager	1 80 2 3 4 5 6 7
15. Is this a minority-owned business?	☐ Yes ☐ No	1 81 2
16. Is this company:	☑ Privately held ☐ Publicly held	1 82 2

17. Since you became the owner of your business, what have you learned that no one told you? 83

The need to be more assertive! Never never thought that of myself! 84 85

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

Need more help for sm. business – financial & otherwise! Where do I go?! Frustrating!

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☒ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☐ Other (specify) __________	1 2 3 4 5 6 7	80
15. Is this a minority-owned business?	☐ Yes ☒ No	1 2	81
16. Is this company:	☒ Privately held ☐ Publicly held	1 2	82

17. Since you became the owner of your business, what have you learned that no one told you? 83 84 85

That without proper working capital you are stymied every time!

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

It is disappointing that banks don't gamble. They will help only when you are profitable, even if your sales and potential are good. It's a "catch 22"; I am bitter!

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☐ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☐ Other (specify) MANAgeR-OWNeR	1 80 2 3 4 5 6 7
15. Is this a minority-owned business?	☒ Yes ☐ No	1 81 2
16. Is this company:	☒ Privately held ☐ Publicly held	1 82 2

17. Since you became the owner of your business, what have you learned that no one told you? 83

MANY things. How MAle ORieNTed many 84

organizations are. If there is any job to be. 85

done they expect the woman to do clerical work

Please feel free to make additional comments: (if referring to a specific question, please note the question number and section).

My bank experiences, I could write a book!

trying to get a loan I experienced such

prejudice. I finally had to get my

husband to go with me and support me

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☒ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☐ Other (specify) ________	1 2 3 4 5 6 7
15. Is this a minority-owned business?	☒ Yes ☐ No	1 2
16. Is this company:	☒ Privately held ☐ Publicly held	1 2

17. Since you became the owner of your business, what have you learned that no one told you?

Do not lease — own your own building (may not always be best for everyone, though)

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

I wish I had known more about financial planning — The taxes — and subsequent penalties were almost enough to close us down. I do not appreciate MESC sending a notice of raising my rate effective same quarter with only one week left in quarter. Left no room for budgeting.

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GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☐ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☒ Other (specify) owner/manager)	1 2 3 4 5 6 7	60
15. Is this a minority-owned business?	☒ Yes "WBE" ☐ No	1 2	61
16. Is this company:	☑ Privately held ☐ Publicly held	1 2	62

17. Since you became the owner of your business, what have you learned that no one told you? 63 64 65

1) Banks want more collateral than they need, 2) Owning your home outright counts for very little 3) Without a consistent pattern of income, the banks are very leery, past credit + accomplishments are irrelevant.

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

Financing has been agonizing! Local banks (2) refused to accept my home as collateral, an unusual, but true thing in the Western U.P. (told me it was "unprofessional" The SBA was of no help because I didn't need more than $15,000, it wasn't worth their time. I felt

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somewhat patronized, but to what degree that was related to being a woman or whether it was due to the notion that my idea for a business was a "new" one, & they were skeptical about it — hard to say.

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I need a lot of training & there are some great short courses "available" but until I can afford to add staff, I can't afford to attend! I think the prevailing theory of starting on a shoe string (bankers seem to think it ~~adds~~ builds "character") is crazy – if I had more capital in the first place, I could have started earning faster! My first year I had a loss (-$4,000), the second I cleared about $10,000. So far this year I have made as much in the first qtr as I did all of last year (altho that is billed, not yet paid!

I think far too little attention is given to things like the condition of the roads, and the delivery of services, in the U.P. — I cannot get a simple feature like call forwarding, for example, on the phone, or call waiting.

I think by far the lack of financing assistance for "smaller" amounts has been the most frustrating. That and health insurance, which costs over $3,000 a year and pays for nothing (hospital only!) Not being eligible for group rates really hurts, and the alternative seems only to be to drop it & plan to apply for welfare if one gets sick. It seems to me there ought to be a better way than that.

I could have, I guess, concocted a grandiose business plan which called for a massive investments in fixtures and such to qualify to borrow $50,000 — why is that easier to get than $10,000? I resent having to deplete savings, withdraw IRA's, and borrow against the life insurance to scrape by, and then be treated in a patronizing way by the bank — I mean, they aren't doing me any favors, they have the small loan more than fully secured, were I to choose to cash the policy in tomorrow, they would get all of their money, but ask about a $1,000 advance for working capital, & they give you such a hard time that it was easier to borrow money from a family member (at no interest!) The bank says it is in business to make money, but it sure doesn't act like it as far as I can see! When I get rich, the first thing I'll do is stop using them for anything!

Local regional development loans are available if you need $150,000 plus. I sent a guy to see them, & he returned & told me the reporting requirements and the way you have to spend x% of the money is such that it would be the most expensive loan you could ever make. They have a formula for the % value of equipment vs structure & salary for example, and it means committing yourself for more, much more, than you need in one area to get [illegible] in another —

What I'm saying, I guess, is that the existing structure is too bureaucratic, too inflexible, and hinders efforts rather than helping. The IRS, the State, the bankers and insurers, they raise obstacles, they don't see their role as one of assisting and aiding — they tell you why it can't be done, bury you in paperwork, and get in the way. All designed to maintain a status quo which will leave us as a nation sliding downhill!

— Five year depreciation schedules on a computer that will be obsolete in 3 —

— You have to fill out all sorts of forms, including applying to IRS for an E.I.N. to be certified as a "WBE". Since I got the F.E.I.N., I have had numerous letters from IRS about why I didn't make a payroll tax payment for each quarter for 20 years (1 per qtr) Fill them each out "no employees", and along comes another!

— I need public liability insurance for the 5 or 6 members of the public I see per month, and then no carrier wants to be bothered as the rates are too low!

– I use my car for maybe 2% business travel; it's almost easier to "eat it" than to keep the meticulous records that are required.

Nuisance stuff, like water dripping on a stone!

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☐ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☐ Other (specify) VICE PRESIDENT	1 2 3 4 5 6 7
15. Is this a minority-owned business?	☑ Yes ☐ No	1 2
16. Is this company:	☑ Privately held ☐ Publicly held	1 2

17. Since you became the owner of your business, what have you learned that no one told you?

You need to Know how to bid for contract and learn where you can go For certification.

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

The biggest Problem I find is not being able to get capital from Lenders even when you have contracts.

Thank you for your time and assistance. This survey is anonymous and your opinions will remain completely confidential. A summary of the results will be sent to you prior to public availability.

Survey design by:
Marketing Resource Group
and Moore & Associates Inc.

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☒ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☐ Other (specify) ________	1 2 3 4 5 6 7
15. Is this a minority-owned business?	☒ Yes ☐ No	1 2
16. Is this company:	☒ Privately held ☐ Publicly held	1 2

17. Since you became the owner of your business, what have you learned that no one told you?

The daily decisions, especially concerning advertising, can make or break a company.

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

Company financing - 3L. I was told because I had no "credit history" I couldn't get a loan & to use my home equity. Women have it much harder dealing in the "men's world." Its no wonder so many small businesses fail.

Thank you for your time and assistance. This survey is anonymous and your opinions will remain completely confidential. A summary of the results will be sent to you prior to public availability.

Survey design by:
Marketing Resource Group
and Moore & Associates Inc.

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☑ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☐ Other (specify) ________	1 2 3 4 5 6 7
15. Is this a minority-owned business?	☑ Yes white women ☐ No	1 2
16. Is this company:	☑ Privately held ☐ Publicly held	1 2

17. Since you became the owner of your business, what have you learned that no one told you?

Being a selfemployed person for my complete life

It is the best way to be! The only "quest"

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section)

I have had has been financial in obtaining

cash flow!

Thank you for your time and assistance. This survey is anonymous and your opinions will remain completely confidential. A summary of the results will be sent to you prior to public availability.

Survey design by:
Marketing Resource Group
and Moore & Associates Inc.

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson 1 ☐ President 2 ☐ Chief Executive Officer 3 ☐ Chief Financial Officer 4 ☐ Chief Operating Officer 5 ☐ Chief Information Officer 6 ☒ Other (specify) Owner 7
15. Is this a minority-owned business?	☑ Yes 1 ☐ No 2
16. Is this company:	☑ Privately held 1 ☐ Publicly held 2

17. Since you became the owner of your business, what have you learned that no one told you?

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

The help available for small business is very minimal. In order to expand my business I must seek an investor because of the banking systems.

Thank you for your time and assistance. This survey is anonymous and your opinions will remain completely confidential. A summary of the results will be sent to you prior to public availability.

Survey design by:
Marketing Resource Group
and Moore & Associates Inc.

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☐ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☑ Other (specify) Owner/Operator	1 80 2 3 4 5 6 7
15. Is this a minority-owned business?	☐ Yes ☑ No	1 81 2
16. Is this company:	☑ Privately held ☐ Publicly held	1 82 2

17. Since you became the owner of your business, what have you learned that no one told you? 83 84 85

Most everything concerning by business - from bookkeeping to tax records to operating procedures I learned on my own.

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

My business is such a specialty business that I feel it would be very difficult for the organizations in existence to offer any usable assistance. (#1 Gov't programs) I feel most Gov't programs are negative incentive to the productivity

Thank you for your time and assistance. This survey is anonymous and your opinions will remain completely confidential. A summary of the results will be sent to you prior to public availability.

of all individuals - men or women. Thinking back to when I was first divorced + encouraged by Social Services not to work. I didn't heed their advice because I didn't want to be taken care of by the state. Every dollar I erned cost me a dollar in assistance. Most people would say "foget it" I'll stay home, and who could blame them. Taxes are the same kind of negative incentive. The more you try to get ahead, the larger % you pay in taxes. Add that to inflation, and many end up behind instead of ahead. It makes so many of the middle class angry becaus they're carrying the weight of those that feel there's no sense in trying to

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(over)

get ahead because the government will take care of them if they "give up". I realize the problem the gov't faces, not wanting to penalize the poor, but there are better solutions that presently being employed.

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	☐ Chairperson ☒ President ☐ Chief Executive Officer ☐ Chief Financial Officer ☐ Chief Operating Officer ☐ Chief Information Officer ☐ Other (specify) ____________	1 60 2 3 4 5 6 7
15. Is this a minority-owned business?	☐ Yes ☐ No	1 61 2
16. Is this company:	☒ Privately held ☐ Publicly held	1 62 2

17. Since you became the owner of your business, what have you learned that no one told you? 63 64 65

How Much Workman Comp. & Liability Costed, Learned How to find Good worker, and keep them & to get alone with them

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section). 3A.

I have try to get a Loan at 3 or 4 Bank to expand my Bussiness in the last few Mo. Non of them would help me, As my ex Husband made a mess of my Credit rating before leaving State. Please give me some advise if possible. Thank.

Thank you for your time and assistance. This survey is anonymous and your opinions will remain completely confidential. A summary of the results will be sent to you prior to public availability.

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and Moore & Associates Inc.

Thanks for letting me be a part of this survey.

Lostisa H. Murphy.

Touche Ross & Co
200 Renaissance Center – 16th Floor
Detroit, MI 48243-1274
Telephone 313 446-1500
Telex 230462 TR DET

Touche Ross

Daniel J. Kelly
Chairman of the Board

Group Managing Partner – Michigan Practice

May 2, 1988

Representative John J. LaFalce
Chairman, House Small Business Committee
U. S. House of Representatives
2367 Rayburn House Office Building
Washington, D.C. 20515

Dear Mr. LaFalce:

Women business owners are the fastest growing segment of the nation's small business community. For more than a year, Touche Ross has been working with the public and the private sectors in Michigan to support and heighten public awareness of the increasingly significant role of women as entrepreneurs and employers and creators of jobs, products, services and industries.

Women business owners are a constituency of significant size and growing importance. They own four out of every five of the nation's new businesses. They are undoubtedly the most entrepreneurial business segment. And their track record and accomplishments are remarkable -- often in spite of a lack of traditional education or training in business practices and techniques.

In Michigan we are attempting to give them their due. Last year we conducted the first annual opinion survey of the state's women business owners. In 1987 and 1988, two of the state's leading women business owners were honored with Athena Awards and named Michigan Woman Entrepreneur of the Year. In December 1987, women owners of the state's top 50 privately held companies were recognized at a luncheon at which Michigan Governor James J. Blanchard was the keynote speaker.

We view the support of these business owners as vital to the economic growth of the nation, particularly in the service sector. We therefore strongly encourage initiatives by both government agencies and private enterprises to provide access to funding, education, technical assistance and procurement opportunities for women owned businesses.

Sincerely,

Dan Kelly
Daniel J. Kelly

DJK/mp

MRG
Marketing Resource Group, Inc

115 W. Allegan
Suite 910
Lansing, MI 48933
(517) 372-4400

Advertising
Research
Public Relations

SURVEY OF WOMEN-OWNED MICHIGAN BUSINESSES

March - April, 1987

presented to

Touche Ross & Co.

and

The Michigan Woman Magazine

This information is not to be released without the joint permission of Touche Ross & Co., The Michigan Woman Magazine, and Marketing Resource Group, Inc.

1987 Survey of Michigan Women-Owned Businesses

April - March, 1987

METHODOLOGY

The source list of 3,500 Michigan women owned businesses for this study was provided to Touche Ross & Co. by the Department of Commerce, the Office of Women Owned Businesses.

The women owned businesses were then sent a questionnaire, designed in collaboration with Moore & Associates, Inc. and Marketing Resource Group, Inc., and approved and finalized by Touche Ross, The Michigan Woman Magazine and Anthony Franco, Incorporated. Also included with each questionnaire was a personalized cover letter written by Anthony Franco, Incorporated in consultation with MRG. A follow-up post card was sent 14 days after the initial mailing.

From the original list of 3,500, 621 questionnaires were returned for a response rate of 17.7%. A 15% response rate is considered necessary to provide reliable data. The average response rate for this type of study is usually 15%-20%. All responses in the study remained confidential.

Following completion of the survey, the data was subjected to computer analysis using MRG's in-house crosstabulation program. The result was a series of crosstabulations employing 34 independent variables.

Marketing Resource Group, Inc. is pleased to present the findings of this study to Touche Ross & Co., and The Michigan Woman Magazine.

A Touche Ross Survey
in conjunction with
The Michigan Woman Magazine

1987 Survey of Women-Owned Businesses in Michigan

* = Less than 1%

Please mark all applicable boxes and return the completed survey in the enclosed self-addressed, postage-paid envelope by March 16, 1987. We welcome any additional comments you wish to make on any question. Space is provided for that purpose at the end of the questionnaire. We thank you very much for your special attention.

MICHIGAN BUSINESS CLIMATE

1. Generally speaking, what do you feel are the most important problems facing businesses in Michigan today; that is, the problems that you are most concerned about? (CHECK ALL THAT APPLY)

33% - Competition from Big Business
64% - Cost of Liability Insurance
11% - Foreign Competition
28% - Government Regulations
17% - Interest Rates
39% - Labor Costs
39% - Labor Quality
63% - Taxes
13% - Other

2. How important do you feel the following steps are in order to improve Michigan's business climate?	Very Important	Somewhat Important	Not At All Important
a. Changes in Business Tax Structure	74%	25%	1%
b. Changes in Individual Tax Structure	40%	51%	9%
c. Further Changes to Reduce Costs Related to Workers' Compensation	73%	24%	3%
d. Increased Availability of Low-Cost Government Financing	40%	40%	20%
e. Easing of Regulation and Reporting Requirements	37%	49%	14%
f. Easing of Environmental Standards	8%	42%	50%
g. Advertising and Marketing the State (Yes! Michigan Campaign, etc.)	31%	47%	22%
h. Improving the State's University System	27%	48%	25%
i. Containing Health Care Costs	59%	33%	7%
j. Improving the Public Education System (grades K-12)			

GENERAL ECONOMIC OUTLOOK

1. Generally speaking, do you feel the economy for the balance of the year will:

2% - Greatly Improve
32% - Somewhat Improve
47% - Remain About the Same
17% - Somewhat Deteriorate
1% - Greatly Deteriorate

2. Do you think business taxes will increase, stay the same, or decrease in 1987?

8% - Increase Greatly
56% - Increase Somewhat
34% - Stay About the Same
2% - Decrease Somewhat
0% - Decrease Greatly

3. If business taxes were to be increased, which of the following would you most favor? (CHECK ONLY ONE)

26% - Value Added Tax
8% - Pers. Income Tax Increase
21% - Corporate Tax Increase
45% - Oil Import Tax

4. In 12 months, the inflation rate will be:

10% - Less than 2%
27% - 2 to 3%
31% - 3 to 4%
20% - 4 to 5%
12% - Above 5%

5. In 12 months, the prime rate will be:

1% - Less than 5%
6% - 5 to 6%
10% - 6 to 7%
19% - 7 to 8%
27% - 8 to 9%
25% - 9 to 10%
12% - Above 10%

6. Which of the following do you feel will be most effective in helping to reduce the federal deficit?

2% - Increase Taxes
62% - Reduce Government Spending
36% - Combination of Both

7. In 12 months, the Dow Jones Industrial Average will be:

20% - Above 2,500
15% - 2,401 to 2,500
16% - 2,301 to 2,400
13% - 2,201 to 2,300
12% - 2,101 to 2,200
11% - 2,001 to 2,100
7% - 1,901 to 2,000
4% - 1,801 to 1,900
1% - 1,701 to 1,800

GOVERNMENT PROGRAMS

1. Which, if any, of the following Michigan Department of Commerce services/programs have you utilized? (CHECK ALL THAT APPLY)	12% - Ombudsman 2% - Financing 9% - Procurement 14% - Small Business Centers 10% - Minority Bus. Enterprise 24% - Women Bus. Owners Services * - Technical Deployment 1% - Import/Export Assistance 1% - Manufacturing Service 2% - New Enterprise Services 57% - None of the above
2a. Are you aware of the Office of Women Business Owners in the Michigan Department of Commerce?	66% - Yes 34% - No
2b. If YES, have you personally had any contact with the Office of Women Business Owners?	41% - Yes 59% - No

INDIVIDUAL COMPANY OUTLOOK

1. Do you expect your sales to increase in 1987?	48% - Definitely Yes 37% - Probably Yes 13% - Probably No 2% - Definitely No
2a. Do you expect your real earnings (total revenues less total expenses - net of inflation) to increase in 1987?	33% - Definitely Yes 40% - Probably Yes 22% - Probably No 5% - Definitely No
2b. If YES, by what percentage over 1986 earnings?	28% - 1 to 5% 36% - 6 to 10% 10% - 11 to 15% 9% - 16 to 20% 17% - More than 20%
3a. Do you plan to expand your workforce in 1987?	20% - Definitely Yes 33% - Probably Yes 33% - Probably No 14% - Definitely No
3b. If YES, by what percentage?	55% - 1 to 5% 20% - 6 to 10% 5% - 11 to 15% 6% - 16 to 20%

4a. Are you considering relocating your business in 1987?

7% - Definitely Yes
10% - Probably Yes
25% - Probably No
58% - Definitely No

4b. If YES, where?

7% - Within the City of Detroit
7% - From Detroit to the Suburbs or Outstate Area
3% - From the Suburbs or Outstate Area to Detroit
70% - From One Suburban or Outstate Area to Another
13% - Out of State

5a. Are you considering expanding your business in 1987?

20% - Definitely Yes
25% - Probably Yes
33% - Probably No
22% - Definitely No

5b. If YES, where?

14% - Within the City of Detroit
8% - From Detroit to the Suburbs or Outstate Area
5% - From the Suburbs or Outstate Area to Detroit
58% - From One Suburban or Outstate Area to Another
21% - Out of State

MPANY MANAGEMENT

1. Rank the management areas that you plan to focus attention on this year. (Scale of 1 to 5, with 1 being the highest priority)

	Average	(High) One	Two	Three	Four	(Low) Five	Ref./ D.K
a. Productivity	2.08	36%	16%	9%	5%	7%	27%
b. Recruitment	3.45	8%	6%	11%	8%	18%	50%
c. Financing	3.17	11%	8%	9%	10%	14%	48%
d. Cost Control & Reduction	2.48	20%	20%	15%	7%	8%	29%
e. Marketing	2.30	28%	17%	14%	7%	7%	27%
f. Plant Improvements	3.77	3%	4%	7%	6%	16%	64%
q. New Products	3.08	10%	9%	8%	7%	13%	53%
n. Research & Developement	3.58	4%	6%	5%	5%	15%	64%
i. Other	3.07	2%	*	*	*	2%	95%

2. Which of the following do you use on a regular basis as a business consultant?

(CHECK ALL THAT APPLY)

Was that advisor . . . ?

		Male	Female	None
a.	Banker	30%	18%	54%
b.	Lawyer	49%	9%	45%
c.	Accountant	60%	21%	21%
d.	Chamber of Commerce	10%	11%	82%
e.	Independent Consultant	10%	9%	83%
f.	Relative	25%	11%	66%
g.	Friend	16%	20%	67%
h.	Business Associate	25%	27%	54%
i.	Co-owner of Business	16%	12%	73%
j.	Other	3%	2%	95%

3. In which area(s) of business expertise do you feel you need to develop additional skills? (CHECK ALL THAT APPLY)

57% - Finance
55% - Marketing
36% - Management
26% - Leadership (personal and professional)
34% - Presentation/Negotiation

4. Does your business have a business plan?

57% - Yes
43% - No

5. In what areas do you presently use computers? (CHECK ALL THAT APPLY)

66% - Accounting/Finance
19% - Material and Prod. Control
39% - Consumer/Vendor Mailing Lists
2% - Assembly and Manufacturing Control
11% - Marketing Analysis
54% - Administration (word processing, etc.)
8% - Product Design
16% - Desk-top Publishing
28% - Other

6. Which, if any, of the following incentives do you use with employees? (CHECK ALL THAT APPLY)

71% - Pay Raises
25% - Benefit Increases
22% - Profit Sharing
8% - The Potential For or Actual Ownership of the Business
22% - Promotions
47% - Training Opportunities
12% - None of the above

7. Which, if any, of the following steps have you taken to contain employee health benefit costs? (CHECK ALL THAT APPLY)	12% - Increased Medical Deductibles 5% - Increased Medical Co-Pay Percentages 8% - Switched to HMO-type Medical Coverage 1% - Switched to PPO-Type Type Medical Coverage 3% - Changed to Self-Funded Medical Coverage 75% - None of the above
8a. Does your company have a 401-k plan?	7% - Yes 93% - No
8b. If NO, are you considering implementing a 401-k plan?	15% - Yes 85% - No
9a. Approximately how much did your company spend on print advertising in 1986?	23% - Less than $100 23% - $100 to $500 16% - $501 to $1,000 13% - $1,001 to $2,000 13% - $2,001 to $5,000 13% - More than $5,000
9b. Approximately how much did your company spend on radio/TV advertising in 1986?	80% - Less than $100 7% - $100 to $500 3% - $501 to $1,000 3% - $1,001 to $2,000 3% - $2,001 to $5,000 4% - More than $5,000

COMPANY FINANCING

1. Approximately how much capital did you have for start up?	24% - Less than $1,000 9% - $1,000 to $2,000 17% - $2,001 to $5,000 15% - $5,001 to $10,000 14% - $10,001 to $20,000 13% - $20,001 to $50,000 3% - $50,001 to $75,000 5% - $75,001 or more

2. Please indicate what percentage of your start-up capital came from each of the following categories. (Be sure the percentages you write in add to 100%.)

		Average	0%	1-25%	26-50%	51-99%	100%	Ref. D.K.
a.	Self, Earnings	29.21%	52%	7%	11%	3%	18%	8%
b.	Self, Savings	40.71%	40%	8%	15%	3%	26%	8%
c.	Lenders	13.88%	73%	2%	7%	6%	4%	8%
d.	Private Investors	3.28%	87%	1%	2%	1%	1%	8%
e.	Friends, Rel.	11.77%	73%	5%	7%	2%	5%	8%
f.	Other	2.47%	89%	*	1%	*	1%	8%

3a. How many banks or other lending institutions have you approached for a loan for your business for start-up, operations, expansion, or any other purpose?

31% - One
21% - Two
10% - Three
3% - Four
1% - Five
2% - More than Five
2% - None

3b. If you have approached one or more, in general do you feel you were treated fairly by the lending institution(s)?

67% - Yes
33% - No

4a. Do you currently have a business loan?

48% - Yes
52% - No

4b. If YES, what type of collateral was used to secure this financing? (CHECK ALL THAT APPLY)

47% - Bus. Owned Plant and Equip.
30% - Business Owned Receivables
18% - Other Business Assets
31% - Your House or Car
25% - Other Assets Owned by You
20% - Other

5a. How much collateral was required for your loan?

26% - Less Than Loan Amount
39% - Equal to Loan Amount
36% - Greater Than Loan Amount

5b. If GREATER THAN THE AMOUNT OF THE LOAN, how much greater?	58% - 200% 12% - 201 to 300% 8% - 301 to 400% 7% - 401 to 500% 15% - Greater than 500%
6a. Have you experienced difficulty finding a carrier for your company's liability insurance policies?	31% - Yes 69% - No
6b. If YES, why?	34% - Could Not Find Carrier 68% - Cost of Ins. Too High 13% - Other
7. Do you carry personal disability insurance?	45% - Yes 55% - No

COMPANY STATISTICAL INFORMATION

1. Which of the following best describes why you started your business?	26% - Economic Reasons 22% - Experienced Creative Frustration in Other Jobs 49% - Like Being My Own Boss 16% - Needed to Have More Control Over My Time 8% - Had Reached a Dead-End on Corporate Ladder Elsewhere 25% - Found a Market Niche 17% - Other
2. How long have you owned your own business?	2% - 1 Year or Less 6% - 1 to 2 Years 28% - 2 to 5 Years 32% - 5 to 10 Years 17% - 10 to 15 Years 7% - 15 to 20 Years 3% - 20 to 25 Years 5% - Over 25 Years

	3. What were your approximate total gross revenues in the following years? (CIRCLE APPROPRIATE NUMBER FOR EACH YEAR)	1983	1984	1985	1986
a.	Less than $25,000	26%	20%	18%	16%
b.	$25,000 to $50,000	15%	16%	14%	13%
c.	$50,001 to $100,000	18%	18%	17%	16%
d.	$100,001 to $250,000	17%	19%	22%	20%
e.	$250,001 to $500,000	10%	13%	12%	15%
f.	$500,001 to $750,000	6%	5%	5%	7%
g.	$750,001 to $1 Million	2%	3%	5%	6%
h.	Between $1 Million and $3 Million	4%	4%	6%	7%
i.	Between $3 Million and $5 Million	1%	1%	1%	*
j.	More than $5 Million	1%	1%	1%	1%

4. Is your business a full-time, part-time, or spare-time activity for you?

86% - Full-time
11% - Part-time
3% - Spare-time

5a. Is the business a:

66% - Corporation
30% - Sole Proprietorship
4% - Partnership
0% - Franchise

5b. If it is a corporation or partnership, what percentage of the business do you own?

AVERAGE - 75.71%

3% - 0% to 30%
15% - 31% to 50%
12% - 51% to 65%
5% - 66% to 90%
1% - 91% to 99%
34% - 100%
29% - Refused/Don't Know

5c. How many co-owners, not including yourself, are there?

AVERAGE - 1.02

33% - None
26% - One
6% - Two
4% - Three
1% - Four or Five
1% - Over Five
29% - Refused/Don't Know

6. Over the past year, what was the average number of full- and part-time employees employed by your company (not including yourself)?

13% - None
33% - 1 to 3
31% - 4 to 10
14% - 11 to 20
6% - 21 to 50

7. Which business classification best describes your company?

8% - Construction
2% - Manufacturing (auto-related)
6% - Manufacturing (non-auto-related)
1% - High Tech. Manufacturing
1% - High Technology Research
1% - Computer Hardware Sales
2% - Computer Software Sales
19% - Retail
3% - Finance
6% - Health Care
2% - Insurance
5% - Real Estate
31% - Service (including restaurants)
5% - Wholesale, Distribution
2% - Transportation
24% - Other

8. Is your business space:

49% - Leased
31% - Owned
22% - Home-based

9. Where is the principal office of your business located?

8% - Detroit
37% - Suburban Detroit
4% - Ann Arbor Area
11% - Lansing Area
3% - Grand Rapids Area
5% - Flint Area
5% - Bay City/Midland/Saginaw
27% - Elsewhere in Michigan

GENERAL STATISTICAL INFORMATION

The following questions will be used for statistical purposes only. All information will be kept strictly confidential. This background information will be extremely important in our analysis and crucial to the success of this research.

1. What are the approximate number of hours in an average work week in your business?

6% - Less than 20
6% - 20 to 30
17% - 31 to 40
37% - 41 to 50
25% - 51 to 70
9% - More than 70

2. Are you employed by any business other than your own?

13% - Yes
87% - No

3.	How has owning a business affected you in the following categories?	Gotten Better	Remained About the Same	Gotten Worse
a.	Personal Health	19%	65%	16%
'.	Stress	13%	40%	47%
c.	Personal Relationships with Business Associates	52%	43%	4%
d.	Personal Relationships with Family and Friends	29%	52%	19%

4. In which of the following organizations do you have a current membership? (CHECK ALL THAT APPLY)

47% - State/Local Chamber(s)
9% - State/Local Economic Clubs
23% - Women-Owned Business Org.
22% - Other Local Business Clubs or Organizations
39% - Trade Association
8% - Business and Professional Women (B&PW)
10% - National Fed. of Independent Businesses (NFIB)
7% - Small Business Association of Michigan (SBAM)
19% - Other
19% - None

5. On political issues, do you consider yourself to be:

8% - Very Conservative
35% - Somewhat Conservative/More Conservative Than Liberal
27% - Neither/Middle-of-the-Road/ Moderate/Both
24% - Somewhat Liberal/More Liberal Than Conservative
6% - Very Liberal

6. Generally speaking, do you think of yourself as:

40% - Republican
20% - Democrat
24% - Independent
14% - No Preference
1% - Other

GENERAL STATISTICAL INFORMATION (continued)

7. What is your approximate age?

* - 18 to 24
12% - 25 to 34
40% - 35 to 44
28% - 45 to 54
16% - 55 to 64
3% - 65 and Over

8. What is your marital status?

8% - Single
67% - Married
16% - Divorced/Separated
6% - Widowed
3% - Head of Household

9. Do you have any children 17 years of age or younger living in your household?

59% - None
22% - One
19% - 2 to 4
* - 5 to 6
0% - More than 6

10. What is the last grade of school you completed?

2% - Some High School or Less
13% - Graduated High School
2% - Vocational/Technical School
36% - Some College
20% - Graduated College
27% - Post-Graduate Work

11. What is your main racial or ethnic heritage?

92% - White
4% - Black
* - Hispanic/Puerto Rican
1% - Native American
2% - Other

12. Which of the following income groups includes your TOTAL FAMILY INCOME in 1986 before taxes?

1% - $ 0 to $5,000
2% - $5,001 to $10,000
5% - $10,001 to $15,000
5% - $15,001 to $20,000
11% - $20,001 to $30,000
13% - $30,001 to $40,000
13% - $40,001 to $50,000
49% - Over $50,000

13. What percentage of your personal income came from your own business?

29% - Less than 25%
14% - 25% to 49%
11% - 50% to 74%
46% - 74% to 100%

14. What is your title?

4% - Chairperson
62% - President
5% - Chief Executive Officer
2% - Chief Financial Officer
1% - Chief Operating Officer
1% - Chief Information Officer
32% - Other

15. Is this a minority-owned business?

37% - Yes
63% - No

16. Is this company:

100% - Privately held
* - Publicly held

Thank you for your time and assistance. This survey is anonymous and your opinions will remain completely confidential. A summary of the results will be sent to you prior to public availability.

THE MICHIGAN WOMAN

Touche Ross

A Touche Ross Survey

in conjunction with

The Michigan Woman Magazine

1987 SURVEY OF WOMEN-OWNED BUSINESSES IN MICHIGAN

The 1987 benchmark Touche Ross/The Michigan Woman poll of women-owned businesses in Michigan surveyed the opinions of 3,500 predominantly privately-held businesses. The source list was drawn from publicly available resources, and the survey collaborators believe this is the first time attitudes, concerns and business trends voiced by Michigan women business owners have been solicited statewide.

Touche Ross mailed the questionnaire, designed by Marketing Resource Group, Inc. and Moore & Associates, Inc., in March 1987. Also included with each questionnaire was a personalized cover letter. A follow-up post card was sent 14 days after the initial mailing.

From the original list of 3,500, 621 questionnaires were returned for a response rate of 17.7 percent. A 15 percent response rate is considered necessary to provide reliable data. All individual responses in the study remain confidential.

Following completion of the survey, the data were subjected to computer analysis using Marketing Resource Group's in-house cross-tabulation program. The result was a series of cross-tabulations employing 42 independent variables. In addition, Moore & Associates tabulated responses to the open-ended survey question "Since you became the owner of your business, what have you learned that no one told you?"

One of the main reasons for conducting the survey was to establish a baseline concerning the opinions of Michigan women business owners. According to the Michigan Department of Commerce Office of Women Business Owners, these business executives represent the fastest growing segment of small business nationally, one which is growing at five times the rate of male-owned businesses.

Nationwide, four out of five new businesses are women-owned. Michigan ranks among the top five states for women-owned businesses (156,000). In 1970, women owned only 4.5 percent of Michigan businesses; in 1980, 28 percent; and in 1985, 36 percent. Women are projected to own 50 percent of all businesses by 2000.

What follows are the results of the survey and a summary of each of the following major questionnaire sections.

- Michigan Business Climate
- General Economic Outlook
- Individual Company Outlook
- Legislation and Government Regulations
- Company Management
- Company Financing
- Company Statistics

MICHIGAN BUSINESS CLIMATE

Survey respondents indicated the most important issues they face in doing business in Michigan in 1987 are the high cost of liability insurance (64 percent of respondents) and taxes (63 percent), each of which claims a significant share of business profits. Smaller, younger businesses are the most vulnerable to these costs.

Having identified the high cost of doing business in the state as a major concern, respondents indicated they favor a number of legislative and social reforms to address these issues. They want to see changes in the business tax structure (74 percent), further changes to reduce costs related to workers' compensation (73 percent), containment of health care costs (59 percent) and improvement in the public education system (grades K-12) (71 percent).

With respect to company liability insurance, nearly one-third (31 percent) of the respondents reported difficulty in finding a carrier and two-thirds (68 percent) of those indicated the cost of the insurance was too high.

More than one-half (55 percent) of the respondents -- who run predominantly small and emerging businesses -- are at risk as a result of carrying no personal disability insurance to sustain them in the event an accident prevents them from working.

GENERAL ECONOMIC OUTLOOK

Survey respondents generally voiced pessimism about the state of the national economy. Nearly one half (47 percent) anticipate stagnation or a downturn (18 percent) during 1987.

Tax Issues

If taxes were to be increased in 1987 -- and 64 percent of the respondents believe they will be -- women business owners favor increasing business taxes via an oil import tax (45 percent) or a value added tax (25 percent) as opposed to increasing corporate or personal taxes.

In order to reduce the federal deficit, respondents strongly favor reducing government spending (62 percent) as opposed to increasing taxes (2 percent) or a combination of both alternatives (36 percent).

Economic Outlook

Within the next 12 months, 87 percent of the respondents believe the Dow Jones Industrial Average will remain higher than 2,000 -- and of these, 20 percent believe it will rise above 2,500.

The majority (63 percent) of respondents believe the inflation rate will be greater than 3 percent during the next 12 months, and 12 percent believe it will be greater than 5 percent.

INDIVIDUAL COMPANY OUTLOOK

Although respondents are not particularly optimistic about the state of the national economy, they are generally optimistic (85 percent) about increasing their sales in 1987. Nearly three-fourths of them (73 percent) expect their real earnings -- adjusted for inflation -- to increase during the year. The most optimistic (17 percent) said real earnings will increase by more than 20 percent.

This optimism is further reflected in plans for expansion. In order to increase sales and accommodate demand for goods and services, 53 percent of the respondents expect to hire more employees in 1987 and 45 percent of them are considering expanding their businesses.

While 83 percent of the respondents said they had no plans to relocate their businesses, a majority of those who may relocate (87 percent) will remain in the state.

COMPANY MANAGEMENT

In matters relating to their operations, survey respondents placed greatest emphasis on developing their managerial skills in marketing and finance. They rated productivity and cost control/reduction as key areas on which they plan to focus attention.

Respondents tend to use professionals, as opposed to friends and colleagues, as business advisors. The most frequently used advisor is an accountant (60 percent) and the second most frequently used is a lawyer (49 percent).

Respondents also use long-range plans and other business tools to keep their companies competitive. More than half (57 percent) of the businesses surveyed have a business plan. Two-thirds (66 percent) use computer systems for accounting and finance, 54 percent for administration (word processing), 39 percent for consumer/vendor mailing lists, and 16 percent for desk-top publishing purposes.

The majority (71 percent) of the respondents offer pay raises as employee incentives and 47 percent offer advanced training opportunities. Smaller numbers of them offer benefit increases (25 percent), profit sharing (22 percent) and promotions (22 percent) to keep employees, and while 8 percent offer the potential for ownership of the business. Finally, 93 percent of the respondents do not have a 401-k plan in place, and 85 percent are not considering implementing such an employee benefit.

Although 59 percent of the respondents expressed the need to contain health care costs, 75 percent of them have taken no steps in this direction. The smaller, younger firms are the least likely to implement changes in this area, presumably because the accrued savings would be relatively insignificant and small firms lack available health care options.

When polled about marketing tools such as print or electronic advertising usage during 1986, 13 percent of the respondents said they spent more than $5,000 for electronic media ads, while 4 percent reported spending the same amount on print advertising. Most (62 percent) spent less than $1,000 on print and 80 percent spent less than $100 on electronic advertising. Service companies allocated resources in this area more frequently than other respondents.

Nearly one-third (31 percent) of the smaller, younger respondents use desk-top publishing systems, presumably for newsletters and flyers, as an alternative to other types of advertising.

COMPANY FINANCING

Michigan women business owners responding to the survey tend to be self-starters who use their own savings (41 percent) or earnings (29 percent) to start their companies, as opposed to using lenders (14 percent) or private investors (3 percent).

To maintain adequate working capital, 52 percent of the respondents have bank loans. However, firms older than two years are twice as likely as their younger counterparts to have loans. More than three-fourths of the respondents (77 percent) use their business assets (47 percent use business-owned plants and equipment and 30 percent use business owned receivables) to secure financing.

Three-fourth's of the survey respondents were required to put up collateral equal to or greater than the amount of their loans in order to secure financing. More specifically, 58 percent were required to put up 200 percent collateral and 15 percent were asked for more than 500 percent collateral.

COMPANY STATISTICAL INFORMATION

Most survey respondents started their businesses for personal reasons and not purely economic reasons. About half (49 percent) expressed the desire to be their own boss, 22 percent experienced creative frustration in other jobs, 16 percent needed to have more control over their own time, and 8 percent felt they had reached a dead end on the corporate ladder elsewhere.

This survey reflects a national trend among women who leave corporations beset by mergers and acquisitions to begin their own businesses. It also mirrors a 1986 Korn-Ferry International survey that indicated a clear limit to upper level career opportunities for women professionals. The 1986 study reported that women held only 2 percent of the jobs at the level of senior vice president and above in the Fortune 500 industrial and service companies.

More than a quarter (28 percent) of the respondents' businesses have been in existence for two to five years, 32 percent for five to 10 years and 17 percent for 10 to 15 years. About 86 percent of the respondents work in their businesses on a full-time basis.

Respondents reported that their businesses are structured in several ways. Among them are 66 percent as corporations, 30 percent as sole proprietorships, 4 percent as partnerships and less than 1 percent as franchises.

Survey responses also indicate that women-owned businesses in the state have experienced a steady increase in total gross revenues between 1983 and 1986.

Of the businesses responding to the questionnaire, nearly a third (31 percent) are in the service area, followed by 19 percent in retail, 8 percent in construction, 6 percent in non-automotive manufacturing, 6 percent in health care, 5 percent in real estate, and 5 percent in wholesale distribution. Two percent of the respondents described their products or services as being in the auto-related manufacturing sector.

Respondents put in long hours on the job with nearly three-fourths (71 percent) working more than 40 hours per week. More than one-third (37 percent) work between 41 and 50 hours, 25 percent work between 51 and 70 hours, and 9 percent work more than 70 hours per week.

Being the owner of a business affected respondents most significantly by increasing personal stress (47 percent). More than half (52 percent) of them indicated that their personal relationships with business associates had improved.

Politically, most of the respondents classify themselves as conservative (43 percent) as opposed to middle-of-the-road (27 percent) or liberal (30 percent).

Nearly one-half (47 percent) of the respondents belong to state or local chambers of commerce, and 39 percent to trade organizations. About one-third (31 percent) also use women's organizations (women-owned business organizations and Business and Professional Women's chapters) to interact with peers.

The Office of Women Business Owners in the Michigan Department of Commerce has a high degree of awareness among the respondents (66 percent), and 41 percent of them have had contact with the office.

Other state services used by respondents include the Small Business Center (14 percent), the office of the Ombudsman (12 percent) and the office of Minority Business Enterprise (10 percent).

The younger and smaller companies responding indicated they use these services more than larger businesses, in part to assist them with regulations associated with doing business in the state.

A composite profile of the average respondent indicates that 87 percent are at least 35 years old, 67 percent are married, 59 percent have no children under 17 living at home and 83 percent have advanced educational backgrounds -- including 20 percent with college degrees and another 27 percent who have undertaken post-graduate studies.

MICHIGAN WOMAN **Touche Ross**

A Touche Ross Survey
in conjunction with
The Michigan Woman Magazine

1987 SURVEY OF WOMEN-OWNED BUSINESSES IN MICHIGAN

Please mark all applicable boxes and return the completed survey in the enclosed self-addressed, postage-paid envelope by March 16, 1987. We welcome any additional comments you wish to make on any question. Space is provided for that purpose at the end of the questionnaire. We thank you very much for your special attention.

MICHIGAN BUSINESS CLIMATE

1. Generally speaking, what do you feel are the most important problems facing businesses in Michigan today; that is, the problems that you are most concerned about? (CHECK ALL THAT APPLY)

33%	Competition from Big Business
64%	Cost of Liability Insurance
11%	Foreign Competition
28%	Government Regulations
17%	Interest Rates
39%	Labor Costs
39%	Labor Quality
63%	Taxes
13%	Other

2. How important do you feel the following steps are in order to improve Michigan's business climate?

	Very Important	Somewhat Important	Not At All Important
a. Changes in Business Tax Structure	74%	25%	1%
b. Changes in Individual Tax Structure	40%	51%	9%
c. Further Changes to Reduce Costs Related to Workers' Compensation	73%	24%	3%
d. Increased Availability of Low-Cost Government Financing	40%	40%	20%
e. Easing of Regulation and Reporting Requirements	37%	49%	14%
f. Easing of Environmental Standards	8%	42%	50%
g. Advertising and Marketing the State (Yes! Michigan Campaign, etc.)	31%	47%	22%
h. Improving the State's University System	27%	48%	25%
i. Containing Health Care Costs	59%	33%	7%
j. Improving the Public Education System (grades K-12)	71%	25%	5%

GENERAL ECONOMIC OUTLOOK

1. Generally speaking, do you feel the economy for the balance of the year will:	2% Greatly Improve 32% Somewhat Improve 47% Remain About the Same 17% Somewhat Deteriorate 1% Greatly Deteriorate
2. Do you think business taxes will increase, stay the same, or decrease in 1987?	8% Increase Greatly 56% Increase Somewhat 34% Stay About the Same 2% Decrease Somewhat 0% Decrease Greatly
3. If business taxes were to be increased, which of the following would you most favor? (CHECK ONLY ONE)	26% Value Added Tax 8% Personal Income Tax Increase 21% Corporate Tax Increase 45% Oil Import Tax
4. In 12 months, the inflation rate will be:	10% Less than 2% 27% 2 to 3% 31% 3 to 4% 20% 4 to 5% 12% Above 5%
5. In 12 months, the prime rate will be:	1% Less than 5% 6% 5 to 6% 10% 6 to 7% 19% 7 to 8% 27% 8 to 9% 25% 9 to 10% 12% Above 10%
6. Which of the following do you feel will be most effective in helping to reduce the federal deficit?	2% Increase Taxes 62% Reduce Government Spending 36% Combination of Both
7. In 12 months, the Dow Jones Industrial Average will be:	20% Above 2,500 15% 2,401 to 2,500 16% 2,301 to 2,400 13% 2,201 to 2,300 12% 2,101 to 2,200 11% 2,001 to 2,100 7% 1,901 to 2,000 4% 1,801 to 1,900 1% 1,701 to 1,800 2% 1,700 or below

GOVERNMENT PROGRAMS

1. Which, if any, of the following Michigan Department of Commerce services/programs have you utilized? (CHECK ALL THAT APPLY)	12% Ombudsman 2% Financing 9% Procurement 14% Small Business Centers 10% Minority Business Enterprise 24% Women Business Owners Services * Technical Deployment 1% Import/Export Assistance 1% Manufacturing Service 2% New Enterprise Services 57% None of the above
2a. Are you aware of the Office of Women Business Owners in the Michigan Department of Commerce?	66% Yes 34% No
2b. If YES, have you personally had any contact with the Office of Women Business Owners?	41% Yes 59% No

INDIVIDUAL COMPANY OUTLOOK

1. Do you expect your sales to increase in 1987?	48% Definitely Yes 37% Probably Yes 13% Probably No 2% Definitely No
2a. Do you expect your real earnings (total revenues less total expenses—net of inflation) to increase in 1987?	33% Definitely Yes 40% Probably Yes 22% Probably No 5% Definitely No

(question continued on next page)

INDIVIDUAL COMPANY OUTLOOK (continued)

2b. If YES, by what percentage over 1986 earnings?	28% 1 to 5% 36% 6 to 10% 10% 11 to 15% 9% 16 to 20% 17% More than 20%
3a. Do you plan to expand your workforce in 1987?	20% Definitely Yes 33% Probably Yes 33% Probably No 14% Definitely No
3b. If YES, by what percentage?	55% 1 to 5% 20% 6 to 10% 5% 11 to 15% 6% 16 to 20% 14% Over 20%
4a. Are you considering relocating your business in 1987?	7% Definitely Yes 10% Probably Yes 25% Probably No 58% Definitely No
4b. If YES, where?	7% Within the City of Detroit 7% From Detroit to the Suburbs or Outstate Area 3% From the Suburbs or Outstate Area to Detroit 70% From One Suburban or Outstate Area to Another 13% Out of State
5a. Are you considering expanding your business in 1987?	20% Definitely Yes 25% Probably Yes 33% Probably No 22% Definitely No
5b. If YES, where?	14% Within the City of Detroit 8% From Detroit to the Suburbs or Outstate Area 5% From the Suburbs or Outstate Area to Detroit 58% From One Suburban or Outstate Area to Another 21% Out of State

COMPANY MANAGEMENT

1. Rank the management areas that you plan to focus attention on this year. (Scale of 1 to 5, with 1 being the highest priority)

	Average	(High) 1	2	3	4	(Low) 5	Refused/ Don't Know
a. Productivity	2.08	36%	16%	9%	5%	7%	27%
b. Recruitment	3.45	8%	6%	11%	8%	18%	50%
c. Financing	3.17	11%	8%	9%	10%	14%	48%
d. Cost Control and Reduction	2.48	20%	20%	15%	7%	8%	29%
e. Marketing	2.30	28%	17%	14%	7%	7%	27%
f. Plant Improvements	3.77	3%	4%	7%	6%	16%	64%
g. New Products	3.08	10%	9%	8%	7%	13%	53%
h. Research and Development	3.58	4%	6%	5%	5%	15%	64%
i. Other (specify) ____________	3.07	2%	*	*	*	2%	95%

2. Which of the following do you use on a regular basis as a business consultant? (CHECK ALL THAT APPLY)

	Was that advisor? Male	Female	None
a. Banker	30%	18%	54%
b. Lawyer	49%	9%	45%
c. Accountant	60%	21%	21%
d. Chamber of Commerce	10%	11%	82%
e. Independent Consultant	10%	9%	83%
f. Relative	25%	11%	66%
g. Friend	16%	20%	67%
h. Business Associate	25%	27%	54%
i. Co-owner of Business	16%	12%	73%
j. Other (specify) ____________	3%	2%	95%

3. In which area(s) of business expertise do you feel you need to develop additional skills? (CHECK ALL THAT APPLY)	57% Finance 55% Marketing 36% Management 26% Leadership (personal and professional) 34% Presentation/Negotiation
4. Does your business have a business plan?	57% Yes 43% No
5. In what areas do you presently use computers? (CHECK ALL THAT APPLY)	66% Accounting/Finance 19% Material and Production Control 39% Consumer/Vendor Mailing Lists 2% Assembly and Manufacturing Control 11% Marketing Analysis 54% Administration (word processing, etc.) 8% Product Design 16% Desk-top Publishing 28% Other

COMPANY MANAGEMENT (continued)

6. Which, if any, of the following incentives do you use with employees? (CHECK ALL THAT APPLY)	71% Pay Raises 25% Benefit Increases 22% Profit Sharing 8% The Potential For or Actual Ownership of the Business 22% Promotions 47% Training Opportunities 12% None of the above 14% Other
7. Which, if any, of the following steps have you taken to contain employee health benefit costs? (CHECK ALL THAT APPLY)	12% Increased Medical Deductibles 5% Increased Medical Co-Pay Percentages 8% Switched to HMO (Health Maintenance Organization)-Type Medical Coverage 1% Switched to PPO (Preferred Provider Organization)-Type Medical Coverage 3% Changed to Self-Funded Medical Coverage 75% None of the above
8a. Does your company have a 401-k plan?	7% Yes 93% No
8b. If NO, are you considering implementing a 401-k plan?	15% Yes 85% No
9a. Approximately how much did your business spend on print advertising in 1986?	Print (Newspapers, magazines, etc.) 23% Less than $100 23% $100 to $500 16% $501 to $1,000 13% $1,001 to $2,000 13% $2,001 to $5,000 13% More than $5,000
9b. Approximately how much did your business spend on radio/TV advertising in 1986?	Radio/TV 80% Less than $100 7% $100 to $500 3% $501 to $1,000 3% $1,001 to $2,000 3% $2,001 to $5,000 4% More than $5,000

COMPANY FINANCING

1. Approximately how much capital did you have for start-up?	24% Less than $1,000 9% $1,000 to $2,000 17% $2,001 to $5,000 15% $5,001 to $10,000 14% $10,001 to $20,000 13% $20,001 to $50,000 3% $50,001 to $75,000 5% $75,001 or more
2. Please indicate what percentage of your start-up capital came from each of the following categories. (Be sure the percentages you write in add to 100%.)	Average Self, Earnings 29.21% Self, Savings 40.71% Lenders 13.88% Private Investors 3.28% Friends, Relatives 11.77% Other 2.47%
3a. How many banks or other lending institutions have you approached for a loan for your business for start-up, operations, expansion, or any other purpose?	31% One 21% Two 10% Three 3% Four 1% Five 2% More than Five 2% None
3b. If you have approached one or more, in general do you feel you were treated fairly by the lending institution(s)?	67% Yes 33% No
4a. Do you currently have a business loan?	48% Yes 52% No
4b. If YES, what type of collateral was used to secure this financing? (CHECK ALL THAT APPLY)	47% Business Owned Plant and Equipment 30% Business Owned Receivables 18% Other Business Assets 31% Your House or Car 25% Other Assets Owned by You 20% Other
5a. How much collateral was required for your loan?	26% Less Than the Amount of the Loan 39% Equal to the Amount of the Loan 36% Greater Than the Amount of the Loan

(question continued on next page)

COMPANY FINANCING (continued)

5b. If GREATER THAN THE AMOUNT OF THE LOAN, how much greater?	58% 200% 12% 201 to 300% 8% 301 to 400% 7% 401 to 500% 15% Greater than 500%
6a. Have you experienced difficulty finding a carrier for your company's liability insurance policies?	31% Yes 69% No
6b. If YES, why?	34% Could Not Find Carrier 68% Cost of Insurance Too High 13% Other
7. Do you carry personal disability insurance?	45% Yes 55% No

COMPANY STATISTICAL INFORMATION

1. Which of the following best describes why you started your business?	26% Economic Reasons 22% Experienced Creative Frustration in Other Jobs 49% Like Being My Own Boss 16% Needed to Have More Control Over My Time 8% Had Reached a Dead-End on the Corporate Ladder Elsewhere 25% Found a Market Niche 17% Other	
2. How long have you owned your own business?	2% 1 Year or Less 6% 1 to 2 Years 28% 2 to 5 Years 32% 5 to 10 Years	17% 10 to 15 Years 7% 15 to 20 Years 3% 20 to 25 Years 5% Over 25 Years

3. What were your approximate total gross revenues in the following years? (CIRCLE APPROPRIATE NUMBER FOR EACH YEAR)	1983	1984	1985	1986
a. Less than $25,000	26%	20%	18%	16%
b. $25,000 to $50,000	15%	16%	14%	13%
c. $50,001 to $100,000	18%	18%	17%	16%
d. $100,001 to $250,000	17%	19%	22%	20%
e. $250,001 to $500,000	10%	13%	12%	15%
f. $500,001 to $750,000	6%	5%	5%	7%
g. $750,001 to $1 Million	2%	3%	5%	6%
h. Between $1 Million and $3 Million	4%	4%	6%	7%
i. Between $3 Million and $5 Million	1%	1%	1%	*
j. More than $5 Million (specify) ______________	1%	1%	1%	1%

(question continued on next page)

COMPANY STATISTICAL INFORMATION (continued)

4. Is your business a full-time, part-time, or spare-time activity for you?	86% Full-time 11% Part-time 3% Spare-time
5a. Is the business a:	66% Corporation 30% Sole Proprietorship 4% Partnership 0% Franchise
5b. If it is a corporation or partnership, what percentage of the business do you own?	3% 0% to 30% 15% 31% to 50% 12% 51% to 65% 5% 66% to 90% 1% 91% to 99% 34% 100% 29% Refused/Don't Know
5c. How many co-owners, not including yourself, are there?	33% None 26% One 6% Two 4% Three 1% Four or Five 1% Over Five 29% Refused/Don't Know
6. Over the past year, what was the average number of full- and part-time employees employed by your company (not including yourself)?	13% None 33% 1 to 3 31% 4 to 10 14% 11 to 20 6% 21 to 50 3% 51 or More
7. Which business classification best describes your company?	8% Construction 2% Manufacturing (auto-related) 6% Manufacturing (non-auto-related) 1% High Technology Manufacturing 1% High Technology Research 1% Computer Hardware Sales 2% Computer Software Sales 19% Retail 3% Finance 6% Health Care 2% Insurance 5% Real Estate 31% Service (including restaurants) 5% Wholesale, Distribution 2% Transportation 24% Other
8. Is your business space:	49% Leased 31% Owned 22% Home-based
9. Where is the principal office of your business located?	8% Detroit 37% Suburban Detroit 4% Ann Arbor Area 11% Lansing Area 3% Grand Rapids Area 5% Flint Area 5% Bay City/Midland/Saginaw Area 27% Elsewhere in Michigan

GENERAL STATISTICAL INFORMATION

The following questions will be used for statistical purposes only. All information will be kept strictly confidential. This background information will be extremely important in our analysis and crucial to the success of this research.

1. What are the approximate number of hours in an average work week in your business?	6% Less than 20 6% 20 to 30 17% 31 to 40 37% 41 to 50 25% 51 to 70 9% More than 70
2. Are you employed by any business other than your own?	13% Yes 87% No

3. How has owning a business affected you in the following categories?	**Gotten Better**	**Remained About the Same**	**Gotten Worse**
a. Personal Health	19%	65%	16%
b. Stress	13%	40%	47%
c. Personal Relationships with Business Associates	52%	43%	4%
d. Personal Relationships with Family and Friends	29%	52%	19%

4. In which of the following organizations do you have a current membership? (CHECK ALL THAT APPLY)	47% State/Local Chamber(s) of Commerce 9% State/Local Economic Clubs 23% Women-Owned Business Organizations 22% Other Local Business Clubs or Organizations 39% Trade Association 8% Business and Professional Women (B&PW) 10% National Federation of Independent Businesses (FNIB) 7% Small Business Association of Michigan (SBAM) 19% Other 19% None
5. On political issues, do you consider yourself to be:	8% Very Conservative 35% Somewhat Conservative/More Conservative Than Liberal 27% Neither/Middle-of-the-Road/Moderate/Both 24% Somewhat Liberal/More Liberal Than Conservative 6% Very Liberal
6. Generally speaking, do you think of yourself as:	40% Republican 20% Democrat 24% Independent 14% No Preference 1% Other

GENERAL STATISTICAL INFORMATION (continued)

7. What is your approximate age?	* 18 to 24 12% 25 to 34 40% 35 to 44 28% 45 to 54 16% 55 to 64 3% 65 and Over
8. What is your marital status?	8% Single 67% Married 16% Divorced/Separated 6% Widowed 3% Head of Household (single with dependents)
9. Do you have any children 17 years of age or younger living in your household?	59% None 22% One 19% 2 to 4 * 5 to 6 0% More than 6
10. What is the last grade of school you completed?	2% Some High School or Less 13% Graduated High School 2% Vocational/Technical School 36% Some College 20% Graduated College 27% Post-Graduate Work
11. What is your main racial or ethnic heritage?	92% White 4% Black * Hispanic/Puerto Rican 1% Native American 2% Other
12. Which of the following income groups includes your TOTAL FAMILY INCOME in 1986 before taxes?	1% $0 to $5,000 2% $5,001 to $10,000 5% $10,001 to $15,000 5% $15,001 to $20,000 11% $20,001 to $30,000 13% $30,001 to $40,000 13% $40,001 to $50,000 49% Over $50,000
13. What percentage of your personal income came from your own business?	29% Less than 25% 14% 25% to 49% 11% 50% to 74% 46% 74% to 100%

GENERAL STATISTICAL INFORMATION (continued)

14. What is your title?	4% Chairperson 62% President 5% Chief Executive Officer 2% Chief Financial Officer 1% Chief Operating Officer 1% Chief Information Officer 32% Other
15. Is this a minority-owned business?	37% Yes 63% No
16. Is this company:	100% Privately held * Publicly held

17. Since you became the owner of your business, what have you learned that no one told you?

Please feel free to make additional comments: (If referring to a specific question, please note the question number and section).

Thank you for your time and assistance. This survey is anonymous and your opinions will remain completely confidential. A summary of the results will be sent to you prior to public availability.

Survey design by:
Marketing Resource Group
and Moore & Associates Inc.

Touche Ross

... Providing Comprehensive Professional Financial Services to Private and Emerging Companies

Contact:
John C. Fovenesi
Touche Ross
200 Renaissance Center, 16th Floor
Detroit, MI 48243
(313) 446-1500

Results of the 1988 Survey of Michigan Women Business Owners

A Touche Ross survey in conjunction with *Michigan Woman* magazine
Touche Ross & Co., 200 Renaissance Center - 16th Floor, Detroit, MI 48243-1274

Touche Ross

A Touche Ross Survey
in conjunction with
Michigan Woman Magazine

Results of the 1988 Survey of Michigan Women Business Owners

INTRODUCTION

In May 1988, Touche Ross and *Michigan Woman* magazine conducted the second annual survey of the state's woman-owned businesses. Surveys were sent to 2,645 small and medium sized privately-held businesses, and responses were received from 406 of the companies polled. A complete description of the methodology employed for this survey can be found at the end of the executive summary.

EXECUTIVE SUMMARY

A. MICHIGAN'S BUSINESS CLIMATE

The Issues Facing Michigan Businesses

For the second year in a row, the state's women business owners suggested that tax and unemployment compensation reforms should be major priorities for the Michigan legislature in 1988. Respondents ranked single business tax reform, reducing the cost of workers' compensation and property/sales tax reform for businesses as their top three priorities and gave lowest priority to defeating legislation to institute parental leave as an employee benefit.

Having identified the cost of doing business in the state as a major concern, respondents ranked four areas (from among eleven) as their priorities in order to improve the state's business climate:

- Changing the business tax structure (82 percent of respondents);
- Reducing the cost of workers' compensation (73 percent);
- Improving the state's public education system (grades K-12) (68 percent); and
- Containing health care costs (62 percent).

Improving the state's educational system remained high on the list of priorities, as it did the previous year. The degree to which educational reform has become a major business issue is reflected in the finding that only 4 percent of this year's survey respondents reported that Michigan's high school graduates are adequately trained to meet the skill levels required in their businesses. Twenty-three percent reported that new hires require minimal training, 38 percent said they require substantial training and 35 percent said they are poorly qualified.

Among the most frequently cited proposals for improving the state's public education system were requiring teachers to pass periodic examinations (78 percent), requiring students to pass basic proficiency examinations (77 percent) and requiring a mandatory core curriculum in all public schools (61 percent).

The Governor's Record in 1987

By a ratio of 3:1, survey respondents gave Governor Blanchard a positive rating for improving the state's business climate. Although respondents from all regions of the state gave the Governor high marks, he received his lowest ratings in suburban Detroit and mid-south Michigan and from older companies (those in business for more than 20-years).

Michigan's Economic Outlook

Slightly more than half (52 percent) of the respondents expected domestic car sales to remain the same during 1988, and 32 percent expected sales to increase. Forecasts about the increase in new home sales in Michigan were more optimistic as 53 percent of the respondents expected an increase and 32 percent expected sales to remain at 1987 levels.

Overall, a majority (81 percent) of respondents expected the local economy to improve or remain the same in 1988.

The 1988 Presidential Campaign

Nearly two-thirds (64 percent) of the respondents indicated that they expect reductions in the federal budget deficit to be the major economic issue of the 1988 presidential campaign.

Although most respondents were concerned about increases in business taxes, they apparently would not vote their pocketbooks in a presidential election. In a preference poll of Bush vs. Dukakis, respondents split their votes evenly between the two candidates. When Dukakis was matched against Jesse Jackson, the Massachusetts Democrat received the nod from 75 percent of the respondents.

Nearly three-fourths (74 percent) of the respondents anticipated that business taxes will increase if a Democrat is elected president this fall, while less than half (44 percent) expect an increase if a Republican is elected to the White House.

B. NATIONAL ECONOMIC OUTLOOK

A majority of respondents (81 percent) was optimistic that the national economy will improve or remain the same for the remainder of 1988. This opinion remains the same as that expressed in the 1987 survey.

A majority of respondents (70 percent) favored the use of tarriffs and trade barriers to protect American industry. Although nearly all (94 percent) of the respondents indicated that trade restrictions imposed on American-made goods were not applicable to their businesses, because they do not export products, more than a third (37 percent) expect the U.S./Canadian Trade Agreement to open new markets.

C. LEGISLATION AND GOVERNMENT REGULATION

1986 Tax Reform Act Loses Popularity

Prior to its implementation, most sectors of the American business community strongly supported the 1986 Tax Reform Act. Since its implementation, support has declined steadily, as reflected by 67 percent of the survey respondents who today either somewhat or strongly oppose the legislation. One possible reason for declining support may be that 68 percent of the survey respondents indicated that their 1987 taxes had increased.

D. COMPANY MANAGEMENT

Operational Priorities in 1988

Operational priorities in 1988-1989 remain the same as last year's with attention focused on productivity (72 percent), cost control and reduction (63 percent) and marketing (61 percent).

Other management priorities surveyed included training (which received high priority mention by 40 percent of the respondents), financing (32 percent), new products (26 percent), recruitment (19 percent), plant improvements (14 percent) and R&D (14 percent).

As previously mentioned, those surveyed generally were optimistic about the health of the national economy. This optimism also was reflected in their assessment of the health of their own companies.

A majority of respondents (72 percent) was optimistic about increased sales in 1988, and more than half (52 percent) expect sales to increase by more than 10 percent. This optimism is reflected further in the expectation of 42 percent of the respondents to expand their workforce, while an additional 51 percent expect to retain current staffing levels.

A majority of respondents (80 percent) rely on referrals as the primary method for selling their products and services to business clients. Joining civic groups (29 percent) and professional organizations (46 percent), were other highly ranked methods of selling products and services.

Workplace Regulations

A substantial majority of the respondents (79 percent) favored testing workers for the use of illegal drugs. However, only about one-fourth (23 percent) of all respondents indicated their companies have instituted a testing policy. Overall, 2 percent of the respondents report testing only new employees and 21 percent test all employees.

More than three-fourths of the respondents (76 percent) also favor legislation banning smoking in the workplace.

With respect to implementing an AIDS policy in their companies, a substantial majority of respondents (89 percent) reported they have done nothing. Ten percent of them reported having instituted a program to educate employees about AIDS and 2 percent of the respondents have developed guidelines to deal with employees who have AIDS.

E. COMPANY FINANCING

Less than one-half (46 percent) of the respondents in this survey indicated that they have business loans.

In order to finance expanded operations in 1988, less than one-half of this survey's respondents (43 percent) indicated they plan to borrow money. Working capital (53 percent), the purchase of equipment (34 percent) and market expansion (24 percent) were the most frequently mentioned uses for borrowed funds. Funding for inventory expansion, real estate and product development purposes was mentioned by 23 percent, 17 percent and 7 percent of the respondents, respectively.

More than one-third (39 percent) of the respondents reported that banks charge them the prime rate -- or at most a point over the prime -- for short-term loans. Fourty-four percent of them reported being charged two or more points over the prime for short-term loans.

When asked about the sources of start-up funds for their companies, 83 percent of the respondents indicated they had used personal savings. Slightly more than one-fourth of the respondents (27 percent) cited financial institutions and 12 percent named private investors (multiple responses were permitted). Seed capitalists, venture capitalists and government loans were cited by only 1 percent of the respondents and suppliers by 3 percent.

Nearly one-half (46 percent) of the respondents reported starting their businesses with $10,000 or less in capital, and 36 percent reported having between $10,000 and $50,000 in resources.

Start-up capital was secured principally by business assets, including plant, equipment and receivables (42 percent of the respondents), while 55 percent reported using personal assets such as homes and automobiles as collateral.

Employee Benefits

In order to be more cost effective, nearly one-third (30 percent) of the survey respondents indicated they have changed employee health plans.

Of the companies that instituted cost-cutting procedures, 8 percent reported replacing or terminating a defined benefit plan and 5 percent implemented a flexible or "cafeteria-style" plan.

Respondents indicated that the most common employee incentives they use are pay raises (70 percent) and bonuses (59 percent), followed in terms of popularity by training opportunities (35 percent) and benefit increases (25 percent).

Nearly three-fourths (75 percent) of the respondents reported that they had no company pension plan. Of those companies with such a plan, 10 percent reported that the October 19th crash had adversely affected their company pension fund, and 15 percent reported no change.

F. A PROFILE OF COMPANIES SURVEYED

A majority (91 percent) of respondents reported having 25 or fewer full-and part-time employees. More than two-fifths (41 percent) of the companies surveyed have been in business more than 10 years.

A majority of respondents represented the following business classifications: 31 percent service; 19 percent retail; 7 percent construction; 6 percent health care; 5 percent manufacturing (non-automotive related); 4 percent wholesale, distribution; 4 percent real estate; and 3 percent manufacturing (automotive-related).

Nearly three-fourths (71 percent) of the respondents represented companies organized as corporations, and 25 percent represented sole proprietorships. Only 4 percent were organized as partnerships.

In terms of 1987 annual sales, 95 percent of the respondents reported less than $3 million in sales. Of that group, 11 percent report between $500,000 and $1 million, and 11 percent reported between $1 million and $3 million.

These statistics reflected sales increases over 1986 when sales of $1 to $3 million were reported by only 9 percent of the respondents.

G. A PROFILE OF WOMEN BUSINESS OWNERS SURVEYED

A majority of companies surveyed (87 percent) are non-minority owned businesses.

Ninety percent of the respondents are more than 35 years of age, and more than two-thirds (69 percent) are married.

More than three-fourths (86 percent) of the respondents have attended college; nearly one-fourth (23 percent) completed college and 25 percent did post-graduate work.

In terms of their political preferences, respondents identified themselves as Republicans (35 percent), Democrats (21 percent) and Independents (28 percent). An additional 16 percent expressed no preference or other.

Respondents tend to work long hours. Nearly one-half (47 percent) work more than 50 hours a week, and 22 percent reported working more than 60 hours a week.

When asked to rank priorities among business, community involvement and family life, family life received the highest priority rating from 60 percent of the respondents and their businesses were ranked first by 39 percent.

Even though respondents tend to work long hours and divide their time between work, family and community involvement, a majority (74 percent) of respondents reported being able to devote a satisfactory amount of time to both their professional and personal lives.

When asked how their work affects their personal health, stress level and personal relationships with both business associates and family and friends, 81 percent of the respondents reported their work has had no affect on their personal health and 93 percent reported no affect on their family life.

However, 55 percent of the respondents indicated work has increased their stress level.

When asked why they started their businesses, respondents reported they wanted to be their own boss (33 percent), economic reasons (23 percent), creative frustration (22 percent) and to develop a market niche (20 percent). Other possible responses included having reached a dead-end on the corporate ladder and the ability to retain more control over their time.

A majority of respondents (51 percent) reported 1987 pre-tax family income greater than $50,000. Nearly one-third (32 percent) reported that their business provides between 75 and 100 percent of their family income.

Nearly three-fourths (72 percent) of the respondents reported that their personal net worth is in excess of $100,000. A majority of respondents also reported controlling their own personal finances, while only 10 percent reported delegating that task to someone else.

METHODOLOGY

The second annual Touche Ross/*Michigan Woman* magazine survey of woman-owned Michigan businesses sampled the opinions of 2,645 predominantly privately-held companies.

More than three-fourths (76 percent) of those completing the survey were the president, CEO or chair of their companies, and 41 percent of the companies are more than 10 years old.

Touche Ross mailed the questionnaire, designed in collaboration with Marketing Resource Group, Inc. (Lansing) and Anthony M. Franco, Inc. (Detroit), in May 1988. A personalized cover letter also was included with the questionnaire, and a follow-up postcard was sent 14 days after the initial mailing.

From the original list of 2,645 companies, obtained from publicly available reference sources, 406 questionnaires were returned, for a response rate of 15.3 percent. A 15 percent response rate is considered necessary to provide reliable data. All individual responses in the study remain confidential.

The data were subjected to computer analysis to produce a series of cross-tabulations.

In addition to demographic information, opinions were solicited on a number of topical areas, including:

Michigan's Business Climate
The General Economic Outlook
Individual Company Outlook
Individual Company Regulations
Legislation and Government Regulation
Foreign Trade
Company Management
Company Financing

For further information contact:

John C. Fovenesi
Partner
The Enterprise Group
Touche Ross & Co.
200 Renaissance Center
16th Floor
Detroit, MI 48243-1274
(313) 446-1500

MICHIGAN BUSINESS CLIMATE

1. **Please rank the following issues from 1 to 7 (with 1 being most important) according to their importance to your business, and as to the sequence you feel these issues should be considered by the Michigan legislature.**

	Respondents Rankings
■ Defeat legislation instituting parental leave employee benefits	7
■ Reducing the cost for unemployment compensation insurance	2
■ Further improving workers' compensation laws	6
■ Reform product liability laws to establish reasonable limits in product liability litigation	5
■ Property/sales tax reform for business	3
■ Contain health care costs	4
■ Single business tax reform	1

2. In comparison to neighboring states, do you feel the business climate in Michigan under Governor Blanchard has:

13 % - Greatly improved
45 % - Somewhat improved
22 % - Remained the same
15 % - Somewhat deteriorated
4 % - Greatly deteriorated

3. In which of the following areas should Michigan focus its economic development efforts? (CHECK ALL THAT APPLY)

20 % - Large automotive and heavy industrial plants
55 % - Start-up companies
62 % - High technology companies
57 % - Service industry companies
26 % - Retail companies
60 % - Convention and tourism related activities
69 % - Improving quality of education
26 % - Exporting
21 % - Attracting foreign business
9 % - Other

4. **How important do you think the following steps are in order to improve Michigan's business climate?**

	Very important	Somewhat important	Not at all important
■ Changes in business tax structure	82 %	18 %	0 %
■ Changes in individual tax structure	45 %	47 %	9 %
■ Further changes to reduce costs related to workers' compensation	73 %	26 %	1 %
■ Increased availability of low-cost government financing	37 %	47 %	16 %
■ Easing of regulation and reporting requirements	38 %	48 %	14 %
■ Easing of environmental standards	9 %	43 %	49 %
■ Advertising and marketing the state (Yes! Michigan, etc.)	34 %	50 %	16 %
■ Containing health care costs	62 %	34 %	4 %
■ Improving the state's university system	33 %	51 %	16 %
■ Improving the public education system (grades K-12)	68 %	27 %	5 %
■ Improving labor-management relations	32 %	57 %	12 %

5. **Which, if any, of the following Michigan Department of Commerce services have you used? (CHECK ALL THAT APPLY)**

17 % - Ombudsman
3 % - Michigan Strategic Fund
9 % - Procurement
20 % - Small Business Center
8 % - Minority Business Center
24 % - Office of Women Business Owners Services
1 % - Technical Deployment
2 % - Import/Export Assistance
1 % - Manufacturing Service
3 % - New Enterprise Services
54 % - None of the above

6. Are you aware of the Office of Women Business Owners Services in the Michigan Department of Commerce?

61 % - Yes
42 % - No

7. If you have had personal contact with the Office of Women Business Owners, have you been assisted with:

10 % - Financing
17 % - Marketing
16 % - Procurement
23 % - Business management
62 % - Referral service

8. Do you expect 1988 domestic car sales will:

1 % - Greatly increase
31 % - Somewhat increase
52 % - Remain about the same
16 % - Somewhat decrease
* - Greatly decrease

9. Do you expect 1988 new home sales in Michigan will:

7 % - Greatly increase
46 % - Somewhat increase
32 % - Remain about the same
14 % - Somewhat decrease
* - Greatly decrease

10. Are Michigan's high school graduates adequately trained to meet the skill levels your business requires?

4 % - Well qualified
23 % - Require minimal training
38 % - Require substantial training
35 % - Poorly qualified

11. Are college graduates of Michigan's university system adequately trained to meet the skill levels your business requires?

21 % - Well qualified
52 % - Require minimal training
23 % - Require substantial training
4 % - Poorly qualified

12. How can the state's public education system (grades K-12) be improved)? (CHECK ALL THAT APPLY)

33 % - Equalize per pupil funding of schools
43 % - Reduce the number of students per teacher
38 % - Increase educators' pay, such as offering performance bonuses
10 % - Institute a voucher system
77 % - Require students to pass basic proficiency exams
78 % - Require teachers to pass periodic examinations
61 % - Require mandatory core curriculum in all public schools
20 % - Other

GENERAL ECONOMIC OUTLOOK

1. Generally speaking, do you think the economy for the balance of the year will:

	Local	National
■ Greatly improve	2 %	2 %
■ Somewhat improve	36 %	33 %
■ Remain the same	43 %	46 %
■ Somewhat deteriorate	18 %	19 %
■ Greatly deteriorate	1 %	1 %

2. If you believe it will deteriorate, when do you expect a downturn in the U.S. economy?

10 % - Within the next 6 months
35 % - 6 to 12 months from now
27 % - 12 to 18 months from now
3 % - 2 years from now or longer
26 % - Not applicable/will not deteriorate

3. What would you expect to be the major economic issue of the 1988 presidential campaign? (CHECK ONLY ONE)

64 % - Reducing federal budget deficit
15 % - Reducing the trade deficit
7 % - Reduce defense spending
6 % - Funding for Medicare/catastrophic health care coverage
3 % - Trade restrictions
6 % - Other

4. If the presidential election were being held today, and George Bush was the Republican candidate and Michael Dukakis was the Democratic candidate, who would you vote for? (candidates listed in alphabetical order) (CHECK ONLY ONE)

50 % - George Bush
50 % - Michael Dukakis

5. If George Bush was the Republican candidate and Jesse Jackson was the Democratic candidate, who would you vote for? (candidates listed in alphabetical order) (CHECK ONLY ONE)

75 % - George Bush
25 % - Jesse Jackson

INDIVIDUAL COMPANY OUTLOOK

1. Do you expect your sales to increase or decrease in 1988, and by what percentage?

20 % - Increase by more than 20 percent
32 % - Increase by 10 to 20 percent
20 % - Increase by less than 10 percent
17 % - Remain the same
4 % - Decrease less than 10 percent
5 % - Decrease by 10 to 20 percent
2 % - Decrease by more than 20 percent

2. Do you plan to expand or decrease your workforce in 1988, and by what percentage?

8 % - Increase by more than 20 percent
15 % - Increase by 10 to 20 percent
19 % - Increase by less than 10 percent
51 % - Remain the same
3 % - Decrease by less than 10 percent
1 % - Decrease by 10 to 20 percent
3 % - Decrease by more than 20 percent

INDIVIDUAL COMPANY REGULATIONS

1. Do you favor or oppose testing workers for the use of illegal drugs?

48 % - Strongly favor
31 % - Somewhat favor
15 % - Somewhat oppose
7 % - Strongly oppose

2. If you have instituted mandatory drug testing for employees, who do you test?

2 % - Only new employees
21 % - All employees
77 % - Not applicable

3. Which, if any, of the following steps have you taken with respect to AIDS and your employees? (CHECK ALL THAT APPLY)

10 % - Instituted a program to educate employees about AIDS
2 % - Developed guidelines to deal with employees that have AIDS
* - Instituted a program to screen potential employees for AIDS prior to hiring
89 % - Nothing done at this time

4. Do you favor or oppose legislation banning smoking in the workplace?

56 % - Strongly favor
20 % - Somewhat favor
12 % - Somewhat oppose
12 % - Strongly oppose

LEGISLATION AND GOVERNMENT REGULATION

1. If a Democrat is elected president, do you think new business taxes will:

30 % - Greatly increase
44 % - Somewhat increase
23 % - Remain the same
3 % - Somewhat decrease
0 % - Greatly decrease

2. If a Republican is elected president, do you think new business taxes will:

5 % - Greatly increase
39 % - Somewhat increase
50 % - Remain the same
7 % - Somewhat decrease
1 % - Greatly decrease

3. If taxes were to be increased, which of the following would you most favor?

14 % - Value added tax
10 % - Personal income tax increase
12 % - Corporate tax increase
22 % - Oil import tax
43 % - Sales tax

4. Today, which statement best expresses your opinion of the 1986 Tax Reform Act?

2 % - Strongly favor
32 % - Somewhat favor
42 % - Somewhat oppose
25 % - Strongly oppose

5. Based on your experience, to what extent have changes in the tax code affected your taxes in the last year?

17 % - Greatly increased
51 % - Somewhat increased
24 % - Remained the same
8 % - Somewhat decreased
* - Greatly decreased

FOREIGN TRADE

1. In general, do you favor or oppose the use of tariffs and trade barriers to protect American industry?

28 % - Strongly favor
42 % - Somewhat favor
20 % - Somewhat oppose
11 % - Strongly oppose

2. Are the trade restrictions foreign nations impose on American-made goods preventing you from exporting more of your company's products?

1 % - Restrictions are a major hindrance to increasing our export sales
3 % - Restrictions are somewhat of a hindrance
2 % - Restrictions are not a hindrance
94 % - Not applicable/company does not export products

3. Do you expect the U.S./Canadian Trade Agreement to open new markets?

37 % - Yes
14 % - No
49 % - Not familiar with the Agreement

COMPANY MANAGEMENT

1. How do you sell your product(s) or service(s) to business prospects or clients? (CHECK ALL THAT APPLY)

40 % - Cold calls
80 % - Referrals
40 % - Direct mail
60 % - Advertising/print
6 % - Advertising/TV
15 % - Advertising/radio
34 % - Attend trade shows/conventions
16 % - Join private clubs
33 % - Join trade associations
29 % - Join civic groups
46 % - Join professional organizations

2. Please rank the following management areas as to its priority this year with your company.

	Highest priority	Middle priority	Lowest priority
■ Productivity	72 %	23 %	5 %
■ Recruitment	19 %	30 %	50 %
■ Financing	32 %	37 %	31 %
■ Cost control and reduction	63 %	29 %	8 %
■ Marketing	61 %	27 %	11 %
■ Plant improvements	14 %	28 %	58 %
■ New products	26 %	30 %	43 %
■ Research and development	14 %	29 %	57 %
■ Training	40 %	37 %	23 %

3. Have you changed your employee health plan in order to be more cost effective?

30 % - Yes
70 % - No

4. Which, if any, of the following steps have you taken to contain other employee benefit costs? (CHECK ALL THAT APPLY)

5 % - Implemented a flexible or cafeteria-style benefit plan
4 % - Replaced a defined benefit plan
4 % - Terminated a defined benefit plan
87 % - None of the above

5. Did the October 19 crash adversely affect your company pension fund?

3 % - Significantly
7 % - Moderately
15 % - Not at all
75 % - Not applicable/company does not have a pension plan

6. If your company's liability insurance premiums increased during the past year, how large was the increase?

10 % - 1 to 5 percent
9 % - 6 to 10 percent
4 % - 11 to 15 percent
9 % - 16 to 20 percent
7 % - 21 to 30 percent
11 % - Over 30 percent
50 % - No response

7. Do you carry personal disability insurance?

49 % - Yes
51 % - No

8. Which of the following incentives do you use with employees? (CHECK ALL THAT APPLY)

70 % - Pay raises
25 % - Benefit increases
15 % - Profit sharing
10 % - Potential for or actual ownership of the business
21 % - Promotions
35 % - Training opportunities
59 % - Bonuses
12 % - None of the above
6 % - Other

COMPANY FINANCING

1. Are you going to borrow money in 1988 for use in your business?

43 % - Yes
57 % - No

2. If you plan to borrow money, how will you use the funds?

34 % - Machinery and equipment
17 % - Real estate
53 % - Working capital
7 % - Product development
23 % - Inventory and receivables
24 % - Market expansion

3. **What interest rate does your bank charge your company for short-term loans?**

3 % - Less than prime
10 % - Prime
5 % - 0.5 percent over prime
24 % - 1 percent over prime
14 % - 1.5 percent over prime
32 % - 2 percent over prime
12 % - More than 2 percent over prime

4. If you own your company, please indicate the source(s) of your start-up financing. (CHECK ALL THAT APPLY)

83 % - Personal savings
27 % - Financial institutions
1 % - Seed capitalists
12 % - Private investors
1 % - Government loans
1 % - Venture capitalists
3 % - Suppliers
9 % - Not applicable

5. If you own your own company, please indicate approximately how much start-up capital you had available.

46 % - Less than $10,000
36 % - $10,000 to $50,000
7 % - $50,001 to $100,000
4 % - $100,001 to $250,000
* - Over $250,000
7 % - Not applicable

6. If you obtained a start-up loan, what type of collateral was used to secure this financing? (CHECK ALL THAT APPLY)

22 % - Business owned plant and equipment
13 % - Business owned receivables
7 % - Other business assets
34 % - Your house or car
21 % - Other personal assets
18 % - Other
18 % - Not applicable/don't own a business

7. Do you currently have a business loan?

46 % - Yes
54 % - No

GENERAL STATISTICAL INFORMATION

1. What were your company's annual sales for each of the past two years? (CHECK APPROPRIATE COLUMN)

	1986	1987
■ Less than $100,000	36 %	31 %
■ $100,000 to $250,000	21 %	23 %
■ $250,001 to $500,000	17 %	19 %
■ $500,001 to $1 million	13 %	11 %
■ Between $1 million and $3 million	9 %	11 %
■ Between $3 million and $5 million	2 %	2 %
■ Between $5 and $10 million	2 %	2 %
■ Between $10 and $20 million	1 %	1 %
■ Between $20 and $50 million	0 %	0 %
■ Over $50 million	0 %	0 %

2. What is the approximate number of all (full and part-time) employees in your company?

69 % - Fewer than 10
22 % - 10 to 25
5 % - 26 to 50
2 % - 51 to 100
1 % - 101 to 150
* - More than 150

3. Approximately how long has your company been in business?

8 % - Less than 3 years
19 % - 3 to 5 years
32 % - 5 to 10 years
26 % - 10 to 20 years
15 % - More than 20 years

4. Where is the principal office of the business located?

9 % - Detroit
37 % - Suburban Detroit
3 % - Ann Arbor area
12 % - Lansing area
1 % - Grand Rapids area
6 % - Flint area
6 % - Bay City/Midland/Saginaw area
24 % - Elsewhere in Michigan
* - Outside the state of Michigan

5. Which business classification best describes your company?

7 % - Construction
3 % - Manufacturing (auto-related)
5 % - Manufacturing (non-auto-related)
1 % - High Technology Manufacturing
0 % - High Technology Research
1 % - Computer Hardware Sales
2 % - Computer Software Sales
19 % - Retail
3 % - Finance
6 % - Health Care
1 % - Insurance
4 % - Real Estate
31 % - Service (including restaurants)
4 % - Wholesale, Distribution
1 % - Transportation
20 % - Other

6. Is the business a:

71 % - Corporation
25 % - Sole proprietorship
4 % - Partnership

7. Is the business a franchise?

3 % - Yes
97 % - No

8. How many hours, on average, do you work in your business per week?

11 % - Under 30
9 % - 30-39
33 % - 40-49
25 % - 50-59
22 % - 60 and over

9. What is your title?

6 % - Chairperson
62 % - President
8 % - Chief Executive Officer
3 % - Chief Financial Officer
1 % - Chief Operating Officer
1 % - Chief Information Officer
30 % - Other

10. Is a woman a majority-owner (51 percent or more) of this business?

95 % - Yes
5 % - No

11. Is this a minority-owned (excluding female-owned) business?

13 % - Yes
87 % - No

PERSONAL INFORMATION

1. If you own your own business, which of the following best describes why you started it?

23 % - Economic reasons
22 % - Experienced creative frustration in other jobs
33 % - Liked being my own boss
12 % - Needed to have more control over my time
7 % - Reached a dead-end on the corporate ladder elsewhere
20 % - Found a market niche
14 % - Other
8 % - Not applicable

2. Generally speaking, do you think of yourself as:

35 % - Republican
21 % - Democrat
28 % - Independent
15 % - No preference
1 % - Other

3. What is your approximate age?

* - 18-24
9 % - 25-34
36 % - 35-44
33 % - 45-54
15 % - 55-64
6 % - 65 and over

4. What is your main racial or ethnic heritage?

87 % - Caucasian
5 % - Black
* - Hispanic/Puerto Rican
6 % - Native American
2 % - Asian

5. What is the last grade of school you completed?

12 % - High school or less
2 % - Vocational/technical school
38 % - Some college
23 % - Graduated college
25 % - Post-graduate work

6. What is your marital status?

8 % - Single, no dependents
69 % - Married
14 % - Divorced/separated
6 % - Widowed
2 % - Head of household (single with dependents)

7. What is your gender?

1 % - Male
99 % - Female

8. Which statement best reflects your attitude toward your professional and personal/family life?

22 % - My work prevents me from spending adequate time with my family
74 % - I devote a satisfactory amount of time to both my professional and personal life
4 % - My personal life consumes time I would like to be able to devote to my professional life

9. How do you rank the following in importance in your life: (rank from 1 to 3 with 1 being the highest)

	Respondents Rankings
■ Running the business	2
■ Community involvement (church, civic groups, professional organizations)	3
■ Personal/family life	1

10. How has your work affected you in the following categories? (CHECK APPROPRIATE COLUMN)

	Better	Same	Worse
■ Personal health	26 %	55 %	20 %
■ Stress	12 %	33 %	55 %
■ Personal relationships with business associates	55 %	43 %	3 %
■ Personal relationships with family and friends	30 %	53 %	17 %

11. Which of the following income groups includes your total family income in 1987 before taxes?

3 % -	Under $15,000
6 % -	$15,000 - $25,000
27 % -	$25,001 - $50,000
28 % -	$50,001 - $75,000
27 % -	$75,001 - $150,000
6 % -	$150,000 - $250,000
3 % -	Over $250,000

12. What percentage of your family income came from your own business?

27 % -	Less than 25 percent
20 % -	25 percent to 49 percent
20 % -	50 percent to 74 percent
32 % -	75 percent to 100 percent
1 % -	Not applicable/don't own a business

13. What is your personal net worth?

4 % -	Less than $25,000
25 % -	$25,000 - $100,000
48 % -	$100,001 - $500,000
16 % -	$500,001 - $1,000,000
8 % -	Over $1,000,000

14. Which statement below reflects how you feel about your personal financial management?

11 % -	I lack knowledge about managing my personal finances. I would like to learn more.
40 % -	I am somewhat informed on matters affecting my personal finances. I have drawn up some general plans.
40 % -	I am very knowledgeable about managing my personal finances. I have set specific long-term goals.
10 % -	I do not manage my personal finances. I prefer to delegate that responsibility to a financial planning professional.

For further information contact:

John C. Fovenesi
Partner
The Enterprise Group
Touche Ross & Co.
200 Renaissance Center
16th Floor
Detroit, MI 48243-1274
(313) 446-1500

SBA U.S. Small Business Administration Washington, DC 20416

TESTIMONY OF
CAROL M. CROCKETT
DIRECTOR
OFFICE OF WOMEN'S BUSINESS OWNERSHIP
HOUSE COMMITTEE ON SMALL BUSINESS
MAY 11, 1988

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

I AM PLEASED TO HAVE THE OPPORTUNITY TO APPEAR BEFORE THE SMALL BUSINESS COMMITTEE TO DISCUSS THE SMALL BUSINESS ADMINISTRATION'S PROGRAM FOR WOMEN BUSINESS OWNERS. MY TESTIMONY TODAY WILL FOCUS ON THE ECONOMIC PROGRESS OF WOMEN'S BUSINESS OWNERSHIP AND SBA PROGRAMS THAT ARE SO SUCCESSFUL IN ASSISTING THIS PROGRESS.

IN 1980 THERE WERE 2.5 MILLION NON-FARM SOLE PROPRIETORSHIPS OWNED BY WOMEN WHICH EARNED $36 BILLION IN ANNUAL RECEIPTS. IN 1985 (OUR LATEST FIGURES) THERE WERE 3.7 MILLION WITH RECEIPTS IN EXCESS OF $65 BILLION. THIS ACCOUNTED FOR 12% OF TOTAL SOLE PROPRIETORSHIP RECEIPTS COMPARED WITH 8.9% IN 1980 AND REPRESENTS AN INCREASE IN RECEIPTS OF 80%.

SBA DATA SHOW THAT WOMEN ARE STARTING BUSINESSES AT ALMOST TWICE THE RATE OF THEIR MALE COUNTERPARTS AND THAT ALMOST 3 OUT

OF 10 BUSINESSES ARE OWNED BY WOMEN. RECENT FIGURES INDICATE THAT 25% OF ALL WOMEN BUSINESSES ARE 1-2 YEARS OLD. WE EXPECT THIS SOLID GROWTH TREND TO CONTINUE.

BUT WHERE ARE WOMEN HEADING? IN 1980, 73% OF WOMEN BUSINESSES WERE IN THE SERVICE AND RETAIL AREAS. IN 1985, THIS PERCENTAGE INCREASED TO 81%. HOWEVER, WE ARE SEEING REMARKABLE GROWTH IN THE LESS TRADITIONAL INDUSTRIES OF CONSTRUCTION AND MANUFACTURING. BETWEEN 1980-1985, RECEIPTS FOR WOMEN BUSINESS OWNERS IN SERVICE ROSE 140%. IN THAT SAME PERIOD, RECEIPTS FOR WOMEN BUSINESS OWNERS IN CONSTRUCTION AND MANUFACTURING ROSE 200%.

WOMEN HAVE ALSO MADE CONSIDERABLE STRIDES IN THE AREA OF PROCUREMENT. IN 1980, ONLY .37% OF GOVERNMENT CONTRACT AWARDS WERE MADE TO WOMEN. TODAY IT IS AT A LEVEL OF 1%. IN 1987, WE EXCEEDED OUR GOAL BY $235 MILLION WHILE OVERALL GOVERNMENT PROCUREMENT DECLINED BY $1.8 BILLION.

WITH THE INCREASE OF WOMEN-OWNED BUSINESSES IN MANUFACTURING AND CONSTRUCTION, WE ESTIMATE THAT FIGURE TO INCREASE DRAMATICALLY IN THE NEXT FEW YEARS. SO THE OUTLOOK IS POSITIVE.

THE SBA'S OFFICE OF WOMEN'S BUSINESS OWNERSHIP HAS MANY AND VARIED PROGRAMATIC RESPONSIBILITIES WHICH INCLUDE:

1) TO DEVELOP AND ENCOURAGE EDUCATION AND MARKETING OPPORTUNITIES FOR WOMEN BUSINESS OWNERS THROUGH QUALITY CONFERENCES AND WORKSHOPS, TRADE MISSIONS, AND UTILIZING THE RESOURCES OF PUBLIC AND PRIVATE SECTOR CO-SPONSORS AND MANAGEMENT EXPERTS, 2) TO NEGOTIATE FEDERAL PRIME CONTRACTING GOALS FOR WOMEN-OWNED BUSINESSES, 3) TO PROVIDE SUPPORT FOR THE FEDERAL INTERAGENCY COMMITTEE ON WOMEN'S BUSINESS ENTERPRISE, 4) TO ACT AS AN ADVOCATE FOR WOMEN BUSINESS OWNERS, AND 5) TO EFFECTIVELY DISSEMINATE ALL APPROPRIATE INFORMATION. THE DELIVERY OF THE PROGRAM IS CARRIED OUT AT THE 75 DISTRICT AND BRANCH OFFICES BY A WOMEN'S BUSINESS OWNERSHIP REPRESENTATIVE AND IN EACH REGIONAL OFFICE BY A WOMEN'S BUSINESS COORDINATOR.

THIS OFFICE NOW SERVES A CONSTITUENCY OF NEARLY 1/3 OF THE SMALL BUSINESS COMMUNITY AND PROVIDES AN OUTREACH PROGRAM WHICH ASSISTS, STRENGTHENS AND PROMOTES WOMEN-OWNED BUSINESS THROUGHOUT THE COUNTRY.

MISUNDERSTANDINGS CONCERNING THE STATUS OF WOMEN BUSINESS OWNERS STEM FROM THE LACK OF A COMPREHENSIVE STATISTICAL INFORMATION SYSTEM. BECAUSE OF THIS, THE OFFICE OF WOMEN'S BUSINESS OWNERSHIP HAS TAKEN THE INITIATIVE TO SPONSOR RESEARCH

BY THE INTERNAL REVENUE SERVICE, THE BUREAU OF CENSUS, AND SBA'S OFFICE OF ADVOCACY. EACH YEAR, SINCE 1980, HAS SHOWN A STATISTICAL DATA IMPROVEMENT. THE OFFICE HAS ALSO:

- O ASSISTED IN EXPLORATORY RESEARCH AIMED AT DETERMINING FACTORS WHICH ENCOURAGE OR DISCOURAGE WOMEN RELATIVES FROM INVOLVEMENT IN FAMILY-OWNED BUSINESSES.

- O SUPPORTED THE NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS COMPREHENSIVE DATA BASE PROJECT, STUDYING THE CHARACTERISTICS OF ITS MEMBER FIRMS.

- O SECURED BUREAU OF THE CENSUS APPROVAL FOR A SURVEY OF THE CHARACTERISTICS OF WOMEN BUSINESS OWNERS AND PROVIDED $450,000 FOR THAT SURVEY.

- O SEARCHED THE AVAILABLE LITERATURE ON LEGAL AND ECONOMIC ISSUES AFFECTING WOMEN BUSINESS OWNERS IN PREPARATION FOR PUBLICATION OF THE FIRST COMPREHENSIVE BIBLIOGRAPHY ON WOMEN'S BUSINESS OWNERSHIP.

- O FINANCIALLY SUPPORTED THE OFFICE OF ADVOCACY'S JACA STUDY WHICH SHOWED ESTABLISHED BUSINESSES OWNED BY WOMEN HAD LITTLE DIFFICULTY IN OBTAINING BANK LOANS.

- FINANCED IRS RESEARCH ON THE BREAKOUT OF WOMEN-OWNED BUSINESS AND FIRM RECEIPTS BY STATE THROUGH 1983 WHEN IT WAS NO LONGER MADE AVAILABLE.

SINCE 60% OF WOMEN WHO START A BUSINESSES TODAY HAVE NO PREVIOUS PAID MANAGERIAL EXPERIENCE, THE OFFICE OF WOMEN'S BUSINESS OWNERSHIP HAS IMPROVED THEIR SKILLS IN THE AREAS OF MARKETING, FINANCE, INVENTORY CONTROL AND PRODUCTION BY:

- DEVELOPING AND IMPLEMENTING SEMINARS UTILIZING EXPERT SPEAKERS AND AUDIO-VISUAL PRESENTATIONS TO HELP WOMEN RESPOND TO BUSINESS CRISES.

- DEVELOPING AND IMPLEMENTING "MEET THE LENDERS" PROGRAMS WHICH BRING TOGETHER LOAN OFFICERS FROM COMMUNITY BANKS WITH WOMEN BUSINESS OWNERS AND OFFERING EDUCATIONAL PRESENTATIONS AS WELL AS A MARKETPLACE FOR THE WOMEN SEEKING CAPITAL.

- DEVELOPING AND DISTRIBUTING INFORMATION IMPORTANT TO HOME-BASED BUSINESS VENTURES. THIS MATERIAL INCLUDED UPDATES ON FEDERAL LEGISLATION, REGULATION, DATA AND WRITTEN MATERIAL SPECIFIC TO THIS INDUSTRY. WE DEVELOPED

AND ASSISTED IN IMPLEMENTING A CONFERENCE SERIES ON HOME-BASED BUSINESS.

- PROVIDING FUNDS FOR THE NATIONAL ASSOCIATION OF BANK WOMEN TO DEVELOP VIDEOTAPES AND INSTRUCTIONAL MATERIALS FOR OUTREACH.

- DEVELOPING AN IMPORTANT NATIONAL CONFERENCE SERIES SPONSORED BY THE SBA CALLED THE PRESIDENTIAL NATIONAL INITIATIVE PROGRAM, CONDUCTED IN TWENTY-ONE MAJOR METROPOLITAN AREAS. THE DAY LONG CONFERENCES FOCUSED ON DIFFERENT SKILLS; TRAINING, PROCUREMENT, MANAGEMENT AND FINANCIAL PLANNING. APPROXIMATELY TWENTY-EIGHT THOUSAND WOMEN ATTENDED THE CONFERENCES, AND, AS A RESULT, TWENTY-ONE NON-PROFIT 501(C)(3) ORGANIZATIONS WERE FORMED IN THE HOST CITIES AS A LEGACY TO CONTINUE TRAINING AND ASSISTANCE TO WOMEN BUSINESS OWNERS IN THOSE COMMUNITIES. THESE NON-PROFIT WOMEN'S ORGANIZATIONS TODAY SPONSOR STATEWIDE WOMEN'S BUSINESS CONFERENCES IN CONJUNCTION WITH THE SBA, AND HAVE FOLLOWED UP WITH TRAINING IN ISSUE AREAS RAISED DURING THE INITIAL NATIONAL INITIATIVE CONFERENCES. MANY GROUPS ALSO PRODUCE DIRECTORIES OF WOMEN BUSINESS OWNERS IN THEIR AREAS, HOLD MONTHLY MEETINGS AND PROVIDE

COUNSELLING TO MEMBERS. SOME GROUPS HAVE DEVELOPED PROGRAMS TO FAMILIARIZE WOMEN WITH COMMERCIAL LENDING AND ANSWERED OTHER NEEDS SPECIFIC TO THEIR COMMUNITIES.

O SUPPORTING THE AMERICAN WOMEN'S ECONOMIC DEVELOPMENT CORPORATION IN DEVELOPING A LONG-TERM TRAINING AND COUNSELLING PROGRAM.

O CONDUCTING IN ADDITION TO ON-GOING SBA WORKSHOPS, MAJOR CO-SPONSORED CONFERENCES WHICH ATTRACTED NEARLY 29,000 ATTENDEES IN THE PAST 18 MONTHS ALONE.

THE OFFICE OF WOMEN'S BUSINESS OWNERSHIP HAS BEEN ACTIVELY INVOLVED IN A MYRIAD OF ACTIVITIES WHICH ENCOURAGE THE FULL AND EQUAL PARTICIPATION OF WOMEN BUSINESS OWNERS IN SELLING THEIR GOODS AND SERVICES TO THE FEDERAL GOVERNMENT. THESE ACTIVITIES INCLUDE:

O NEGOTIATION OF FEDERAL PRIME CONTRACT GOALS. EACH YEAR SINCE 1980, WE HAVE NOT ONLY MET, BUT WE HAVE EXCEEDED THOSE GOALS.

O DEVELOPMENT OF "UP FRONT" WORKSHOPS FOR WOMEN BUSINESS OWNERS TO ACQUAINT THEM WITH FEDERAL PROCUREMENT PRACTICES. THESE WORKSHOPS ARE DESIGNED TO BE HELD PRIOR

TO LARGER CONGRESSIONAL PROCUREMENT CONFERENCES.

O CONTINUED OUTREACH TO ADD WOMEN BUSINESS OWNERS TO THE PROCUREMENT AUTOMATED SOURCE SYSTEM (PASS). THE PASS NOW CONTAINS MORE THAN 27,400 WOMEN-OWNED BUSINESSES, UP FROM 8,188 IN 1981, FOR AN INCREASE OF 234 PERCENT.

AS DIRECTOR, I FEEL THAT BUSINESS OWNERSHIP EDUCATION AND PLANNING ARE THE MOST IMPORTANT ASPECTS OF STARTING A SUCCESSFUL BUSINESS. I ALSO FEEL THAT THE GOVERNMENT SHOULD WORK WITH THE PRIVATE SECTOR TO DEVELOP PROGRAMS TO ASSIST WOMEN BUSINESS OWNERS. WE HAVE DONE THIS. EACH CONFERENCE SERIES AND WORKSHOP HAS BEEN IMPLEMENTED WITH THE ASSISTANCE OF COMPANIES THROUGHOUT THE COUNTRY. NOT ONLY DID THE WOMEN BENEFIT FROM EXPERTS IN THEIR FIELD, THE PRIVATE SECTOR HAS BECOME AWARE OF THE VALUE OF WOMEN IN THE WORKPLACE AND IN THEIR OWN BUSINESSES. IT HAS TRULY BEEN A PARTNERSHIP AND I WILL WORK TO SEE THAT CONTINUE.

THE OFFICE OF WOMEN'S BUSINESS OWNERSHIP DISSEMINATES INFORMATION TO WOMEN INTERESTED IN STARTING A BUSINESS. APPROXIMATELY 3,000 INFORMATION REQUESTS ARE RESPONDED TO ANNUALLY. WE HAVE DEVELOPED AD-SLICKS FOR PUBLIC SERVICE ADVERTISEMENTS WHICH WERE INSERTED IN NUMEROUS PUBLICATIONS. WE HAVE JUST INITIATED A PROGRAM TO DISSEMINATE INFORMATION ON

STARTING A BUSINESS TO WOMEN VETERANS WHO WILL PASS THROUGH OVER 8,000 MILITARY SEPARATION CENTERS. THE WOMAN VETERAN HAS BEEN AN UNTAPPED POTENTIAL CONSTITUENT, UNTIL NOW. WE KNOW THROUGH OUR CONTACT WITH WOMEN THROUGHOUT THE COUNTRY THAT THERE IS A GREAT NEED FOR INFORMATION. WE HAVE PROVIDED THE ASSISTANCE NECESSARY FOR WOMEN NOT ONLY TO CONSIDER STARTING A BUSINESS BUT TO ACTUALLY MAKE THAT DREAM A REALITY THROUGH REALISTIC ADVICE AND INFORMATION.

IN ADDITION TO MY RESPONSIBILITIES AT THE SMALL BUSINESS ADMINISTRATION, I ALSO SERVE AS EXECUTIVE DIRECTOR OF THE INTERAGENCY COMMITTEE ON WOMEN'S BUSINESS ENTERPRISE (IACWBE).

THIS COMMITTEE IS RESPONSIBLE FOR CARRYING OUT A PRESIDENTIAL MANDATE TO PROMOTE, MONITOR AND COORDINATE FEDERAL EFFORTS ON BEHALF OF WOMEN BUSINESS OWNERS. THE OFFICE OF WOMEN'S BUSINESS OWNERSHIP IS RESPONSIBLE NOT ONLY FOR ASSISTING THE COMMITTEE IN IMPROVING OPPORTUNITIES FOR WOMEN BUSINESS OWNERS IN THE PUBLIC SECTOR, BUT ALSO FOR MOBILIZING PRIVATE SECTOR RESOURCES, DEVELOPING TRAINING MATERIALS AND SERVING AS AN ADVOCATE FOR WOMEN BUSINESS OWNERS. MEMBERSHIP IN THE COMMITTEE IS DRAWN FROM MAJOR FEDERAL DEPARTMENTS AND AGENCIES, AND REFLECTS THE WIDE SCOPE OF GOVERNMENTAL POLICY AREAS. IN ADDITION, COMMITTEE MEMBERS HAVE INPUT ON FEDERAL PRIME CONTRACT GOALS FOR WOMEN BUSINESS OWNERS.

THE COMMITTEE HAS:

- O CREATED AND IMPLEMENTED 17 WORKSHOPS ON FEDERAL PROCUREMENT FOR WOMEN BUSINESS OWNERS, RECEIVED BRIEFINGS ON THE PROMPT PAYMENT ACT, MAJOR PROCUREMENT CONFERENCES AND TRADE MISSIONS, AND MADE AVAILABLE RESEARCH ON WOMEN BUSINESS OWNERS.

- O DEVELOPED AN IMPORTANT GUIDE "WOMEN BUSINESS OWNERS: SELLING TO THE FEDERAL GOVERNMENT" WHICH HAS AN ANNUAL DISTRIBUTION OF 15,000.

- O PUBLISHED 1987 ANNUAL REPORT WHICH HAS BEEN WIDELY DISTRIBUTED WITH AN ADDITIONAL 4,000 COPIES REQUESTED BY MEMBERS OF CONGRESS, TRADE ASSOCIATIONS, FEDERAL DEPARTMENTS AND AGENCIES, AND 501(C)(3) ASSOCIATIONS.

- O EXPLORED THE EFFECTIVENESS OF INCREASING PRIME CONTRACT GOALS TO WOMEN OWNED BUSINESS BY INCORPORATING THEM INTO THE PERFORMANCE RATINGS OF CONTRACTING OFFICIALS.

- O PROVIDED BRIEFINGS TO FEDERAL AND NON-PROFIT GROUPS TO BRIEF THEM ON IACWBE ACTIVITIES AND TO HEAR THEIR CONCERNS.

- O ADDRESSED THE ROLE OF THE FEDERAL GOVERNMENT WITH RESPECT TO THE ISSUE OF CERTIFICATION IN COMMUNITY PROPERTY STATES.
- O SOUGHT PRIVATE SECTOR UNDERWRITING OF A CASE STUDY APPROACH TO THE COST OF BIDDING.
- O FOCUSED ON INTERNATIONAL TRADE AND PROMOTED THE PARTICIPATION OF WOMEN IN ALL FEDERAL TRADE MISSIONS.

THE COMMITTEE WILL CONTINUE TO PROVIDE ASSISTANCE TO WOMEN BUSINESS OWNERS ON A NATIONAL LEVEL.

MR. CHAIRMAN, BASED ON THE AVAILABLE INFORMATION FROM OUR DATA BASE IT IS CLEAR THAT WOMEN AS A GROUP ARE A VIABLE AND RAPIDLY GROWING CONTRIBUTOR TO THE NATION'S ECONOMY. THE GROWTH IN JUST THE LAST EIGHT YEARS IS PROBABLY THE MOST EXPANSIVE INCREASE OF ANY ONE GROUP IN THIS CENTURY. BY ALL ACCOUNTS IT WILL CONTINUE TO GROW. BY THE YEAR 2000 IT IS EXPECTED THAT 1/2 OF ALL SELF-EMPLOYED INDIVIDUALS WILL BE WOMEN.

WE HAVE GREATER ACCESS TO INFORMATION THAN WE HAD EIGHT YEARS AGO. WE NOW CAN ANALYZE THE TRENDS AND DETERMINE WHERE WE NEED TO GO FROM HERE. HOWEVER, I FEEL THAT MORE UPDATED INFORMATION IS NEEDED.

FROM THE DATA WE HAVE TODAY, WE KNOW THAT THE NEEDS OF WOMEN TODAY ARE DIFFERENT THAN A DECADE AGO AND WE MUST CONSTANTLY MONITOR AND PROVIDE FOR THESE NEEDS.

O IT IS MY PERSONAL BELIEF THAT LONG-TERM BUSINESS SPECIFIC TRAINING AND COUNSELLING CAN BE OF GREAT BENEFIT. SBA CAN ACCOMPLISH THIS CURRENTLY THROUGH SCORE AND SBDC'S. A NON-GOVERNMENTAL ORGANIZATION WHICH HAS BUILT ITS REPUTATION ON QUALITY LONG-TERM COUNSELLING IS THE AMERICAN WOMEN'S ECONOMIC DEVELOPMENT CORPORATION (AWED). I WOULD ENCOURAGE AWED TO EXPAND THE NATIONAL BASE IT HAS ALREADY STARTED FOR THIS VERY PURPOSE.

O INSTEAD OF FOCUSING ONLY ON OBTAINING DATA ON INDIRECT FEDERAL PRIME DOLLARS AWARDED TO WOMEN THROUGH SUBCONTRACTING WITH THE MAJOR PRIME CONTRACTORS, THERE IS A GREATER NEED, AND THAT IS TO ASSIST WOMEN-OWNED FIRMS TO BE CLEARED AS BIDDERS WITH THE MAJOR PRIME CONTRACTORS BY MAKING CERTAIN THEY ARE PREPARED THROUGH SBA'S EDUCATIONAL PROGRAMS.

O I WOULD SUPPORT A NATIONAL NEWSLETTER FOR WOMEN BUSINESS OWNERS WHICH WILL BENEFIT ALL ASSOCIATIONS AND ALL WOMEN BUSINESS OWNERS AND I BELIEVE THAT THE PRIVATE SECTOR IS CAPABLE OF ACCOMPLISHING THIS.

WOMEN ARE ENTERING THE MAINSTREAM OF COMMERCE AT A RAPID RATE AND CERTAINLY BY THE END OF THE NEXT DECADE, THIS WILL HAVE BEEN ACCOMPLISHED.

THANK YOU, AND NOW I AM HAPPY TO TRY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

TESTIMONY OF
SUSAN HAGER
PRESIDENT OF HAGER, SHARP & ABRAMSON, INC.
HOUSE COMMITTEE ON SMALL BUSINESS
MAY 11, 1988

Mr. Chairman and members of the Subcommittee:

I appreciate the opportunity to appear this morning to discuss issues of great importance to the small business community. My name is Susan Hager and I am co-founder and President of Hager, Sharp & Abramson, one of the largest, independently owned communications firms in the Washington Metropolitan area.

I have been asked to comment on the effectiveness of the federal government programs instituted to support women business owners and on what makes them successful.

Over the past decade, federal action to support women's business enterprise has been on the rise. There are programs or incentives in many federal agencies and we applaud those -- but they are not achieving the results we all hoped for. They are not making a bottom-line difference.

For example, the Federal Reserve Board in its role as the government's primary financial monitor, is interested in entrepreneurship. Martha Seger has a commitment to women. But the bottom line is that women still do not have the access to commercial credit that we should have.

The Interagency Committee on Women's Business Enterprise has produced a booklet on "Women Business Owners Selling to the Federal Government." The General Services Administration, the Labor Department and the Agriculture Department, the Agency for International Development -- each have programs or seminars to train women on contracting and procurement. The Department of Commerce sponsors "Megamarketplace." But the bottom line is that while we now have many more women trained and knowledgeable about government contracting, the contracting and procurement awards going to women still amount to less than 1% of the government's prime contract dollars.

We have heard about the great things happening at SBA. But the bottom line is that in SBA's report on The State of Small Business, SBA did not point to any gains make by women business owners, no gains in procurement, no gains in loan dollars, or in any other areas.

Why are the federal programs not achieving the results we all hoped for? I think part of the answer is that government programs are based on assumptions that are no longer valid. For example, most government initiatives directed at women entrepreneurs and matters of procurement are based on the premise that limited resources are best spent in training women business owners.

We agreed with that premise through the Ford, Carter, and Reagan administrations. But looking at results, we can no longer say, "If only the women were better trained - given more information, they would have real access to government procurement systems.

Many other government programs such as loan programs, management programs, and so on, are based on the premise that there should not be separate programs for women -- that we, as women business owners, should become part of the mainstream.

Again, we agree in principle with mainstreaming. We interpreted mainstreaming to mean getting women included in existing programs. Unfortunately, mainstreaming seems to have been interpreted in the many agencies to mean a return to "the good old days" when agencies did not have to deal with women as a constituency.

WHAT WE HAVE LEARNED

- We have learned that training programs in and of themselves do not get results.
- We have learned that mainstreaming has not brought women into the system.
- We have also learned that program initiatives directed to women entrepreneurs are simply not enough of a priority in any agency to bring about bottom line results.
- We have learned that the staffers who run the programs are

not part of the Senior Management Team and are not in a position to make women's business enterprise a priority within the agency.

- And, after 13 years, we have come to the conclusion that we need Congressional mandates and oversight in order to move women business owners into the economic mainstream.

WHAT CONGRESS CAN DO

1. In order to make real progress, we need an amendment to the Equal Credit Opportunity Act of 1974 (ECOA).

2. We need a Women Business Owner's Policy Council that reaches across the federal government and has the commitment of highest level officials. The Council should develop plans which include targets, goals, and measurable bottom line results for each agency.

3. We need Congress to mandate each department and agency to implement those plans and to develop means to include women in contracting, procurement, policy-making, international trade, outreach, advisory committees and commission appointments, and to use every opportunity to open their system to Women Business Owners.

4. And we need Congress to oversee implementation and results.

The Pathfinder Corporation
for International Trade

1629 K STREET, N.W.
WASHINGTON, D.C. 20006

202 466-5260
TELEX 89-2407

STATEMENT OF

SUSAN L. SNYDER

PRESIDENT, PATHFINDER CORPORATION

BEFORE THE

COMMITTEE ON SMALL BUSINESS

UNITED STATES HOUSE OF REPRESENTATIVES

May 11, 1988

STATEMENT SUMMARY

I. Women Entrepreneurs: Serving the Public Interest

A. The vigor and success of women entrepreneurs is explained in part by their intense desire to depart from ordinary or staff functions and to compete in business, incurring all the challenges and risks that entrepreneurship entails.

B. It is important to recognize the enormous resilience, tenacity, and purposefulness of a labor pool available to the United States whose energies and talents are underutilized at a time when American economic competitiveness is being severely tested.

C. The broad public interest would be served by supporting women entrepreneurs.

II. The Value of Women Entrepreneurs in Strategic Business: Focus on Trade

A. Aggressive, lean, vital, new companies need to provide dynamism in maintaining and improving American trade performance.

B. Four of five new American businesses are women-owned, it is a matter of simple deduction to observe that such a group presents a wellspring of talent and drive for trade-related business activity.

III. Support Needed for Women in Small Business

A. Women entrepreneurs need to build significant business mass.

B. The primary means for increasing women entrepreneurship is through open access.

C. Consistant, predictable access in federal procurement and administrative processes would be a substantial gain.

D. Women entrepreneurs simply ask for the ability to be permitted *laisser faire* with the assurance that barriers are dissolved.

STATEMENT ON POLICY REGARDING WOMEN ENTREPRENEURS

Mr. Chairman and Members of the Committee:

My name is Susan Snyder. I am President of the Pathfinder Corporation for International Trade, a firm in its tenth year specializing in export trade and overseas business development. Pathfinder functions in diverse business sectors from waste management to consumer goods and professional services. Our clients include companies of all sizes; the majority come from Europe and the United States.

Before founding Pathfinder, I worked overseas for eight years for a major foreign-owned multinational corporation, first as market strategist for development and diversification and then as head of a subsidiary company's world-wide export organization. Our objective was marketing sophisticated electronic instrumentation and integrated systems. My primary focus was in European and East-West trade.

I. Women Entrepreneurs: Serving the Public Interest

My comments to you today are made in the context of this experience as a woman in business.

Unlike my colleagues here this morning, I have not participated in formulating or implementing policy or programs supporting women entrepreneurs. Nevertheless, an understanding of the impulse driving women entrepreneurship is useful if policy is to be truly effective, and I am honored to have been called to provide a view from this perspective.

It is appropriate to note also that my perspective excludes having conducted business with the beneficial aid of any support programs for women business owners. Descended from American settlers whose women worked by necessity alongside their men, I was, however, fortunate to have been raised in a family that believed in encouraging its daughters to attempt excellence in whatever field of chosen endeavor and to do so at the limits of the boundary of what is practicable. My education was obtained at a liberal arts college in New England, a seven sister school, which is the oldest continuing institution for women's higher education. This strong tradition, quiet yet persistent, has equipped me with the internal resources necessary to venture into modern business in a man's world. That it is a man's world has never been a subject of doubt for me.

When I was a sophomore in college, I was hired for summer employment by a Fortune 50 American corporation. My friends from the still male ivy league were enrolled in the company's summer management training program, positioned as future executives on the fast track. I was employed in the duplicating department operating a photocopy machine. Recognizing this uncomfortable fact, the company enrolled me in a program learning to operate state-of-the-art typesetting equipment.

The anecdote is not presented with irony or animus. A summer episode, it appears to be of little lasting harm. It ranks among the mildest of the difficulties I have encountered in business. The spontaneous effort at justice during an era when women's issues were almost nonexistent was even surprising. But the tale serves as a case in point illustrating why women of various backgrounds have found it strategically wise to short circuit the corporate mainstream and develop business activity as entrepreneurs.

While in the corporate context, I never occupied an existing job. During my employ with large corporations, American or foreign, my jobs were of my own design and earned through my own powers of persuasion. These "deals" were made on the basis of my receiving a lowered pay scale in exchange for the enviable right to enter the control room, participate in the game with an appropriate title, and obtain the opportunity to succeed or fail on the basis of performance.

The vigor and success of women entrepreneurs is explained in part by their intense desire to depart from ordinary or staff functions and to compete in business, incurring all the challenges and risks that entrepreneurship entails. These conditions provide the rationale for my decision to leave the protected environment of blue-chip corporate enterprise and become an entrepreneur.

Fortunately, I am still too young to indulge in this biographical commentary for the purposes of reminiscence. My aim has been to use experience as a launching point for characterizing the enormous resilience, tenacity, and purposefulness of a labor pool available to the United States whose energies and talents are underutilized at a time when American economic competitiveness is being severely tested.

Aside from the issues of fairness and equal access which have been raised elsewhere in these proceedings, it is my opinion that the broad public interest would be served by supporting women entrepreneurs. To ignore this resource or to permit it to be handicapped through indifference would be a breach of leadership when the public interest should be served.

II. The Value of Women Entrepreneurs in Strategic Business: Focus on Trade

It is my experience that many women entrepreneurs, rather than being a group requiring remedial help, represent a valued, dynamic resource in pursuing vital American economic interests. I believe this fact exists in the area of trade where our negative balance of payments is a source of grave concern to thoughtful Americans and internationalists as well.

The trade situation can be summarized briefly: in 1960, the U.S. occupied 25% of world trade in manufactured goods; in 1970, America's share declined to 21%; in 1980, not only had this share diminished to 18%, but the U.S. lost its position of world leadership in manufactured exports. If the United States had maintained its market position, it would have entered an additional $60-90 billion in export sales, reducing our annual trade deficit by about half.

In overview, this trend is understandable: as our multinationals matured, their extensive operations became increasingly integrated in local economies, and production sources were diversified. This trend reflects the normal cycle of multinational activity. Unfortunately, our leading trading partners were poised to take up the competitive slack with smaller and less cumbersome, more aggressive companies.

Small- and medium-sized American companies can provide similar trade impetus. A recent survey by Touche Ross has found that 4 out of 5 new businesses nationwide are women-owned. It is a matter of simple deduction to observe that such a group presents a wellspring of talent and drive for trade-related business activity.

Quantified information on women entrepreneurs in trade is rare. Relying on empirical fact, I can speak of one case first hand. Pathfinder survived an arduous start up period. We chose not to operate within programs because we felt that finding access was too problematic and the probability of obtaining assistance too unpredictable to count on. Functioning in an elite arena of international finance and negotiation, we have leveraged our assets to the max, taking less in order to compete successfully. Without significant financial reserves, we called upon borrowed power to legitimize our efforts. The process has been laborious but worthwhile. In the fragmented consulting arena, the challenge we now face is how to acquire critical mass and assume leadership in a field which has enormous potential as the world becomes a global market. We feel this sense acutely as major developments occur in Europe with 1992 approaching and as East-West trade emerges in Soviet Europe with the trend towards glasnost.

At this stage in our corporate existence, we take pride in having helped American businesses to export, succeed at joint ventures with international partners, or expand through subsidiaries. Our results are accruing, seemingly too gradually. I am persuaded that the overall trade result can be multiplied by the efforts of many small and medium business participants to yield a measurable benefit to America's trade performance and its continued position in world economic leadership. To maintain our economic vitality, we need successive cycles of vibrant aggressive companies. With 4 out of 5 new companies started by women entrepreneurs, this valuable resource holds potential.

III. Support Needed for Women in Small Business

Survival aside, my interest as a small business owner has been to develop the capital reserves necessary to build our organization into a recognized, forceful, significant, albeit small player in the area of international trade.

Looking at the essence rather than the letter of policy, the primary means, in my judgment, for increasing women entrepreneurship is through open access. From our standpoint, we do not need aid per se. We are entrepreneurs willing to take risk positions in our business activity. However, we do require equal access, as would any firm, if we are to succeed.

Such access is needed in two critical areas:

- For business credibility and operational success, access is needed to persons holding decision-making power, who will lend an egalitarian ear to one's business premise.

- For financial success, access to government procurement is a vital necessity.

In order for women to be enabled to make the contribution they wish to make, these elements are critical: equality on economic and operational playing fields. Other specific issues have been raised during these hearings. In sum, women entrepreneurs need the assurance that they will be included in the nation's business process. Consistent, predictable access in the federal arena would be a substantial gain.

In the exchange of ideas about government's appropriate role ranging from interventionism to total passivity, it has become evident that basic leadership in policy matters is our government's responsibility. The difference between laisser faire and laisser aller is also becoming distinct. Laisser aller, allowing policy to float in any direction, is naive. Laisser faire, letting business proceed, requires a freedom that only government can insure. I think that women entrepreneurs simply ask for the ability to be permitted laisser faire in business with the assurance that barriers are dissolved.

Additional Information from Kay Bulow

I would not say that there is anything I have asked for which I have not gotten from my superiors. The Secretary of Commerce has been most generous each time I have requested funds, personnel, policy changes, and all initiatives for women business owners.

At Commerce we are now drafting policy that will insure that our Small Business Liaison Officers and Small Business Specialists are trained on an on-going basis to seek women-owned firms and other socioeconomic categories of businesses for contracting purposes. We will train these employees in how to view women-owned firms in a positive manner, and how employees' attitudes influence the acceptance of women-owned federal contractors.

In my testimony I spoke about the need for better data on women-owned businesses. In addition to data on federal procurement, we also need to know the total of subcontracts awarded to women held businesses. I would like to add my name to the list of those who are requesting the addition of lines for women-owned on the Standard Forms 294 and 295, the Federal Subcontracting Report for Individual Contracts and the Federal Quarterly Individual Subcontracting Report that are filed by prime contractors.

ADDITIONAL INFORMATION SUPPLIED BY CAROL M. CROCKETT

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

EXECUTIVE MANAGEMENT REPORT ON PROCUREMENT FOR WOMEN-OWNED SMALL BUSINESSES FOR FY 1985

March 1986

I. EXECUTIVE HIGHLIGHTS

There has been a dramatic growth in procurement achievements for women-owned small businesses over the last six years. From FY 1979 to FY 1985, there has been a 608% dollar increase in Federal prime contract award achievements to women-owned small businesses. The percentage of prime contract award achievements to women-owned small businesses to total procurement went from .22 in FY 1979 to .74 in FY 1985.

In FY 1985, the total prime contract award achievements for women-owned small businesses was $1.3 billion, an all-time high. The Department of Defense represented 70% of total prime contract award achievements to women-owned small businesses for FY 1985.

From FY 1984 to FY 1985, there was an overall increase of 12% in Federal prime contract award dollar achievements to women-owned small businesses. For FY 1985, the majority of Agencies showed an increase in this contract award activity for women-owned small businesses.

From FY 1985, the total Federal Prime Contract award goal achievement for women-owned small businesses in dollars was 120%. In each year from FY 1980, the total Federal Prime Contract award dollar achievement to women-owned small businesses has been over 100% of the goal established.

II. PROCUREMENT ACTIVITY FOR WOMEN-OWNED BUSINESSES IN DETAIL

- Table 1 - Federal Prime Contract Award Achievements for Women-Owned Small Businesses for FY 1985.
- Table 2 - Increase (Change) in Federal Prime Contract Award Achievement for Women-Owned Small Businesses from FY 1984 to FY 1985 for Major Agencies.
- Table 3 - Federal Prime Contract Awards to Women-Owned Small Businesses: Goals and Achievements
- Table 4 - Trends in Federal Prime Contract Award Activity to Women-Owned Small Businesses.

TABLE I

FEDERAL PRIME CONTRACT AWARD ACHIEVEMENTS

FOR WOMEN-OWNED SMALL BUSINESSES

FOR FY 1985

(Ranked by dollar amounts of achievements in mils.)

Agency	Achievements
Defense	$ 898.00
GSA	58.76
VA	52.12
Agriculture	45.78
NASA	38.90
HHS	35.10
Interior	27.80
Transportation	26.94
Treasury	18.19
Energy	11.28
EPA	9.20
State	8.79
AID	8.25
Commerce	7.09
TVA	6.80
Justice	6.08
Labor	6.00
Education	3.20
HUD	3.17
NSF	2.39
SBA	1.91
OPM	1.74
FERC	1.37
NRC	1.31
USIA	1.10
FEMA	.44
Other	1.60
	$1,283.31

TABLE 2

INCREASE (CHANGE) IN FEDERAL PRIME CONTRACT AWARD ACHIEVEMENTS FOR WOMEN-OWNED SMALL BUSINESSES FROM FY 1984 TO FY 1985 FOR MAJOR AGENCIES

(Dollar amount in mils)

	1984	Percentage Change from FY 84 to FY 85	1985
Defense	$719.0	25%	$898.0
GSA	72.4	-19%	58.8
VA	37.6	39%	52.1
Agriculture	31.8	44%	45.8
NASA	24.7	57%	38.9
HHS	46.9	-25%	35.1
Interior	22.9	21%	27.8
Transp.	32.4	17%	26.9
Treasury	4.2	333%	18.2
Energy	*		*
EPA	7.5	23%	9.2
State	6.1	44%	8.8
AID	5.7	46%	8.3
Commerce	6.1	16%	7.1
TVA	5.1	33%	6.8
Justice	4.2	45%	6.1
Labor	3.1	94%	6.0
Education	4.1	-22%	3.2
HUD	2.7	19%	3.2
NSF	1.2	100%	2.4
SBA	2.4	-21%	1.9
OPM	4.1	-59%	1.7
NRC	1.1	18%	1.3
USIA	1.9	-42%	1.1
FEMA	.3	33%	.4

*Department of Energy's goals and achievements for FY 1984 included NONGOCO and GOCO contracts. The achievements were reported at $118.8 million. In FY 1985, Department of Energy set their goals and achievements, based on only NONGOCO. The achievements for NONGOCOs was $11.3 million. Contracts for GOCOs were reported as $145.2 million.

TABLE 3

FEDERAL PRIME CONTRACT AWARDS TO WOMEN-OWNED SMALL BUSINESS GOALS AND ACHIEVEMENTS

(in mils.)

FISCAL YEAR 1985

	GOALS		ACHIEVEMENTS	
Agency	Dollar Amount	% of Prime Contract Awards to Women-Owned Small Businesses to Total Procurement	Dollar Amount	% of Prime Contract Awards to Women-Owned Small Businesses to Total Procurement
Defense	735.0	.5	898.0	.6
GSA	40.5	.9	58.8	1.0
VA	36.8	1.6	52.1	2.1
Agriculture	32.0	1.5	45.8	2.0
NASA	35.0	.6	38.9	.6
HHS	24.3	1.7	35.1	2.2
Interior	17.7	1.7	27.8	2.6
Transportation	33.1	1.6	26.9	1.1
Treasury	6.3	2.6	18.2	4.4
Energy	34.0	.3	11.3	.1
EPA	9.8	1.6	9.2	1.5
State	3.7	3.6	8.8	3.2
AID	7.8	3.2	8.3	2.3
Commerce	7.0	2.1	7.1	2.2
TVA	9.2	.6	6.8	.8
Justice	4.0	1.0	6.1	1.3
Labor	5.7	1.0	6.0	1.0
Education	2.5	1.6	3.2	1.9
HUD	7.8	6.0	3.2	2.9
NSF	.8	.4	2.4	1.2
SBA	2.0	8.0	1.9	6.9
OPM	6.1	13.4	1.7	8.6
FERC	.7	10.0	1.4	22.0
NRC	.9	1.7	1.3	2.4
USIA	2.0	2.0	1.1	.9
FEMA	.2	.1	.4	.2

TABLE 4

TRENDS IN FEDERAL PRIME CONTRACT AWARD ACTIVITY TO WOMEN-OWNED SMALL BUSINESSES

FY	Goals (mils.)	Rate of Change	Achievements (mils.)	Rate of Change
1979			$ 181.3	
1980	$ 211.3		388.4	114%
1981	407.9	93%	631.5	63%
1982	480.4	18%	683.3	8%
1983	640.0	33%	863.4	26%
1984	865.7	35%	1,146.6	33%
1985	1,066.3	23%	1,283.3	12%
1986	1,330.2	25%		

Percentage of Prime Contract Award Achievements
to Women-owned Small Businesses to Total Procurement

FY	
1979	.22
1980	.37
1981	.56
1982	.52
1983	.57
1984	.71
1985	.74

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

EXECUTIVE MANAGEMENT REPORT ON PROCUREMENT FOR WOMEN OWNED SMALL BUSINESSES FOR FY 1986

March 198

I. EXECUTIVE HIGHLIGHTS

There has been a dramatic growth in procurement achievements for women owned small businesses over the last six years. The percentage of prime contract award achievements to women owned small businesses to total procurement went from .22 in FY 1979 to .9 in FY 1986.

In FY 1986, the total prime contract award achievements for women-owned small businesses was $1.6 billion, an all-time high. The Department of Defense represented 70% of total prime contract award achievements to women owned small businesses for FY 1986.

From FY 1985 to FY 1986, there was an overall increase of $330 million in Federal prime contract award dollar achievements to women owned small businesses. For FY 1986, the majority of Agencies showed an increase in this contract award activity for women owned small businesses.

II. PROCUREMENT ACTIVITY FOR WOMEN OWNED BUSINESSES IN DETAIL

- o Table 1 - Federal Prime Contract Award Achievements for Women Owned Small Businesses for FY 1986.
- o Table 2 - Increase in Federal Prime Contract Award Achievement for Women Owned Small Businesses from FY 1985 to FY 1986 for Major Agencies.
- o Table 3 - Trends in Federal Prime Contract Award Activity to Women Owned Small Businesses.

TABLE I

FEDERAL PRIME CONTRACT AWARD ACHIEVEMENTS

FOR WOMEN OWNED SMALL BUSINESSES

FOR FY 1986

(Ranked by dollar amounts of achievements in mils.)

Agency	Achievements
Defense	$ 1,100.0
GSA	61.3
VA	39.0
Agriculture	38.0
NASA	49.8
HHS	36.8
Interior	24.8
Transportation	25.1
Treasury	20.6
Energy	150.8
EPA	7.0
State	8.2
AID	8.3
Commerce	13.1
TVA	5.0
Justice	5.6
Labor	6.7
Education	3.0
HUD	2.5
NSF	2.3
SBA	1.6
OPM	.3
NRC	1.0
USIA	2.4
FEMA	.5
TOTAL	1613.7

TABLE 2

INCREASE IN FEDERAL PRIME CONTRACT AWARD ACHIEVEMENTS FOR WOMEN OWNED SMALL BUSINESSES FROM FY 1985 TO FY 1986 FOR MAJOR AGENCIES

(Dollar amount in mils)

	1985	1986
Defense	$ 898.0	$ 1,100.0
GSA	58.8	61.3
VA	52.1	39.0
Agriculture	45.8	38.0
NASA	38.9	49.8
HHS	35.1	36.8
Interior	27.8	24.8
Transportation	26.9	25.1
Treasury	18.2	20.6
Energy	11.2	150.8
EPA	9.2	7.0
State	8.8	8.2
AID	8.3	8.3
Commerce	7.1	13.1
TVA	6.8	5.0
Justice	6.1	5.6
Labor	6.0	6.7
Education	3.2	3.0
HUD	3.2	2.5
NSF	2.4	2.3
SBA	1.9	1.6
OPM	1.7	.3
NRC	1.3	1.0
USIA	1.1	2.4
FEMA	.4	.5

TABLE 3

TRENDS IN FEDERAL PRIME CONTRACT AWARD ACTIVITY TO WOMEN OWNED SMALL BUSINESSES

FY	Goals (mils.)	Achievements (mils.)
1979	-	$ 181.3
1980	$ 211.3	388.4
1981	407.9	631.5
1982	480.4	683.3
1983	640.0	863.4
1984	865.7	1,146.6
1985	1,066.3	1,283.3
1986	1,330.2	1,613.7

Percentage of Prime Contract Award Achievements
to Women-owned Small Businesses to Total Procurement

FY	
1979	.22
1980	.37
1981	.56
1982	.52
1983	.57
1984	.71
1985	.74
1986	.9

EXECUTIVE MANAGEMENT REPORT ON PROCUREMENT FOR WOMEN OWNED SMALL BUSINESSES FOR FY 1987

March 1988

I. EXECUTIVE HIGHLIGHTS

There has been a dramatic growth in procurement achievements for women owned small businesses over the last eight years. The percentage of prime contract award achievements to women owned small businesses to total procurement went from .22 in FY 1979 to 1.0 in FY 1987.

In FY 1987, the total prime contract award achievements for women-owned small businesses was $1.7 billion, an all-time high. The Department of Defense represented 64% of total prime contract award achievements to women owned small businesses for FY 1987.

From FY 1986 to FY 1987, there was an overall increase of $118.0 million in Federal prime contract award dollar achievements to women owned small businesses, also achievements exceeded goals by $235 million. For FY 1987, the majority of Agencies showed an increase in this contract award activity for women owned small businesses.

II. PROCUREMENT ACTIVITY FOR WOMEN OWNED BUSINESSES IN DETAIL

- Table 1 - Federal Prime Contract Award Achievements for Women Owned Small Businesses for FY 1987.
- Table 2 - Federal Prime Contract Award Achievement for Women Owned Small Businesses from FY 1986 to FY 1987 for Major Agencies.
- Table 3 - Trends in Federal Prime Contract Award Activity to Women Owned Small Businesses.

TABLE I

FEDERAL PRIME CONTRACT AWARD ACHIEVEMENTS FOR WOMEN OWNED SMALL BUSINESSES FOR FY 1987

(Rank by dollar amounts of achievements in mils.)

	Agency	Achievements
	Defense	$1,100.0
	Energy	199.5
	HHS	59.8
	NASA	52.2
	GSA	51.1
	Agriculture	46.7
	VA	43.0
	Treasury	31.7
	Transportation	27.5
	Commerce	20.0
	Interior	19.3
	EPA	14.8
	Labor	10.8
	State	9.9
	Justice	9.3
	AID	6.5
	TVA	6.0
	HUD	5.2
	OPM	4.1
	NSF	2.8
	SBA	2.4
	DOED	2.1
	USIA	1.5
	NRC	1.4
	FEMA	.4
	All Others	3.7
TOTAL		$1,731.7

TABLE 2

FEDERAL PRIME CONTRACT AWARD ACHIEVEMENTS FOR WOMEN OWNED SMALL BUSINESSES FROM FY 1986 TO FY 1987 FOR MAJOR AGENCIES

(Dollar amount in mils.)

	1986	1987
Defense	$1,100.0	$1,100.0
Energy	150.8	199.5
HHS	36.8	59.8
NASA	49.8	52.2
GSA	61.3	51.1
Agriculture	38.0	46.7
VA	39.0	43.0
Treasury	20.6	31.7
Transportation	25.1	27.5
Commerce	13.1	20.0
Interior	24.8	19.3
EPA	7.0	14.8
Labor	6.7	10.8
State	8.2	9.9
Justice	5.6	9.3
AID	8.3	6.5
TVA	5.0	6.0
HUD	2.5	5.2
OPM	.3	4.1
NSF	2.3	2.8
SBA	1.6	2.4
DOED	3.0	2.1
USIA	2.4	1.5
NRC	1.0	1.4
FEMA	.5	.4

TABLE 3
TRENDS IN FEDERAL PRIME CONTRACT AWARD ACTIVITY TO WOMEN OWNED SMALL BUSINESSES

FY	Goals (mils.)	Achievements (mils.)
1979		$181.3
1980	$211.3	388.4
1981	407.9	631.5
1982	480.4	683.3
1983	640.0	863.4
1984	865.7	1,146.6
1985	1,066.3	1,283.3
1986	1,330.2	1,613.7
1987	1,496.4	1,731.7

Percentage of Prime Contract Award Achievements to Women-owned Small Businesses to Total Procurement

FY	
1979	.22
1980	.37
1981	.56
1982	.52
1983	.57
1984	.71
1985	.74
1986	.9
1987	1.0

1979	1980		1981		1982		1983		1984		1985		1986		1987		1988
ACHIEVE	GOALS	ACHIEVE	GOALS	ACHIEVE	GOALS	ACHIEVE	GOALS	ACHIEVE	GOALS	ACHIEVE	GOALS	ACHIEVE	GOALS	ACHIEVE	GOALS	ACHIEVE	GOALS
123.4	124.0	26.2	235.0	336.1	305.0	441.0	415.0	527.3	550.0	719.0	735.0	898.0	925.0	1,000.0	1,000.0	1,100.0	1,400.0
.5	3.5	23.4	15.0	38.0	34.0	78.5	50.0	80.5	75.0	118.8	34.0	156.5	85.0	150.8	125.0	199.5	155.0
7.4	9.0	18.7	24.1	24.3	13.4	15.8	11.0	23.0	20.7	46.9	24.3	55.1	27.9	36.8	31.9	59.8	37.2
.6	2.6	5.7	6.8	7.7	6.9	11.6	11.5	15.3	16.0	24.7	35.0	38.9	39.0	49.8	37.3	56.2	38.6
10.2	20.0	26.6	21.6	35.5	21.5	35.5	28.2	39.4	35.9	72.4	40.5	58.8	59.4	61.3	73.1	51.1	27.7
5.1	5.5	10.7	11.1	15.2	9.2	19.0	17.5	36.2	27.0	31.8	32.0	95.8	90.2	38.0	38.0	46.7	33.0
9.8	10.6	13.5	10.1	24.0	20.2	32.9	35.0	48.1	37.4	37.6	36.8	52.1	42.4	39.0	49.3	43.0	43.1
1.2	2.0	2.1	1.4	.2	.5	4.6	1.2	5.0	4.0	4.2	6.3	18.2	6.3	20.6	13.9	31.7	20.7
5.8	10.0	11.8	20.0	25.0	9.1	14.7	13.8	26.5	37.4	32.4	33.1	26.9	27.6	25.1	29.2	22.5	31.7
1.2	2.0	3.4	5.4	4.3	3.4	3.4	4.5	3.0	4.8	6.1	7.0	7.1	7.6	13.1	14.9	20.0	17.5
5.2	5.5	20.4	9.8	26.7	11.6	22.6	14.0	20.5	17.5	22.9	17.7	27.8	19.4	24.8	19.0	17.3	31.7
.4	4.0	2.0	4.0	2.6	2.5	2.5	2.3	2.8	3.6	7.5	9.8	9.2	10.5	7.0	10.8	14.8	15.0
5.3	5.5	11.6	15.7	56.1	14.1	10.2	16.0	10.6	2.6	3.1	5.7	6.0	6.3	6.7	6.8	10.8	5.5
.2	.3	.6	3.5	3.5	3.0	2.6	2.8	3.4	3.3	6.1	3.7	8.8	13.3	8.2	8.5	9.9	8.1
.2	—	.7	2.3	3.7	.7	2.5	2.6	4.5	3.0	4.2	4.0	6.1	4.9	5.6	11	9.3	11
1.4	—	2.3	7.1	1.1	1.6	3.7	2.3	7.8	3.5	5.7	7.8	8.3	9.0	8.7	10.4	6.5	10.4
.7	2.2	4.0	7.2	4.5	8.0	4.0	2.5	5.1	5.0	5.1	9.2	6.8	8.0	5.0	5.8	6.0	6.7
.6	4.6	.2	9.1	8.6	6.2	3.7	5.5	1.1	8.6	3.7	7.8	3.2	6.8	2.5	5.9	5.2	8.9
.0	—	.01	.06	.02	.07	.50	.1	.6	3.1	4.1	6.1	1.7	4.6	.3	4.6	4.1	3.0
.6	—	.9	.2	.5	.3	.2	.1	.7	.2	1.2	.8	2.4	.8	2.3	2.4	2.8	3.0
.6	—	—	.2	.2	.1	.05	.5	.7	.6	2.4	2.0	1.9	.5	1.6	.7	2.4	1.1
—	0	1.6	1.8	2.4	1.9	2.5	2.5	2.4	2.3	4.1	2.5	3.2	3.0	3.0	3.0	2.1	3.8
—	—	.79	.3	.3	.3	.3	.4	1.3	1.5	1.9	2.0	1.1	2.2	2.4	2.2	1.5	3.4
.1	—	.2	.34	.02	0	.2	.2	.3	.2	1.1	.9	1.3	1.1	1.0	1.3	1.4	.8
—	—	3.8	.4	.4	.3	.5	.5	1.2	.6	.3	.2	.4	.4	.5	.5	.4	.6
21	21	6.2	21	6.06	6.55	6.25	21	2.7	1.9	21	2.1	1.65	21	21	2.8	3.7	3.1
187.3	211.3	388.4	407.9	631.5	480.4	683.3	640.0	863.4	865.7	1,146.6	1,066.3	1,283.3	1,330.2	1,613.7	1,496.4	1781.7	1,600.6

C

OFFICE OF WOMEN BUSINESS OWNERSHIP SUMMARY REPORT ON FISCAL YEAR 1986 TOTAL WOMEN SMALL BUSINESS PRIME CONTRACT AWARDS GOALS

	Jointly Established Final Projections			($ in millions)		Actual Achievement by Federal Agency				FY 87 GOAL	
	Est. Total Procurement Volume Awards	Small Business Established Goal		Women's Goal – % of Total Awards		Total Procurement Volume Awards	Small Business Shares		Women's Share		
DOD	142.800.0	26.400.0	6.5%	925.0	.7 %	136.500.0	26.900.0	19.7%	1.100.0	1.8 %	1.8 %
DOE	11.513.0	404.0	3.5%	85.0	.7 %	13.250.1	360.0	2.7%	150.8	1.1 %	1. %
NASA	6.372.0	567.0	8.9%	39.0	.62%	8.206.3	613.0	9.9%	49.8	.8 %	.6 %
GSA	2.878.8	1,048.8	36.6%	39.4	.75%	3.706.8	1,120.9	30.2%	61.3	1.1 %	1.1 %
VA	2.651.9	641.5	41.0%	42.4	1.6 %	2.843.4	610.9	34.0%	39.0	1.4 %	1.8 %
TVA	2.7	960.0	36.9%	6.0	.3 %	2.570.0	1,360.4	54.6%	4.9	.2 %	.4 %
USDA	2.008.0	910.2	54. %	40.2	2.0 %	2.576.3	1,105.8	52.1%	37.9	1.4 %	1.8 %
HHS	1.554.8	318.8	27.9%	27.9	1.8 %	1.576.1	388.5	31.0%	36.8	2.4 %	1.9 %
DOT	1,736.4	575.5	35.9%	27.6	1.6 %	2.134.3	736.6	34.5%	25.1	1.2 %	1.4 %
DOI	1,021.0	409.3	56.2%	19.4	1.9 %	1,151.4	477.1	50.6%	24.8	2.2 %	[illegible]9 %
EPA	615.0	182.7	31.5%	10.5	1.7 %	642.0	152.9	25.0%	7.0	[illegible]	[illegible]9 %
DOL	573.6	70.1	12.5%	6.3	1.1 %	554.2	66.5	12.0%	6.7	[illegible] %	[illegible]2 %
DOJ	442.8	90.0	30.2%	4.9	1.1 %	419.1	78.6	30.8%	5.6	[illegible] %	[illegible] Avl
DOC	356.7	98.3	34.9%	7.6	2.1 %	381.8	97.0	33.1%	13.1	3.4 %	[illegible]6 %
AID	264.0	78.0	30.1%	9.0	3.4 %	443.3	132.3	30.8%	8.2	[illegible] %	[illegible]5 %
HUD	146.1	69.1	58.0%	5.8	4.0 %	224.1	101.9	53.0%	2.4	1.0 %	4. %
DOTR	262.3	99.4	37.9%	6.3	2.4 %	388.4	152.3	39.2%	20.6	5.3 %	4.1 %
NSF	190.0	4.1	2.2%	.8	.42%	196.6	5.1	2.6%	2.3	1.18%	1.2 %
STATE	200.0	78.5	43.6%	13.3	3.7 %	361.8	124.5	36.8%	8.2	2.2 %	1.9 %
FEMA	235.0	35.8	16.6%	.4	.2 %	199.3	40.6	20.9%	.4	.2 %	.21%
NRC	53.0	19.4	39.5%	1.1	2.0 %	46.1	18.4	43.2%	1.0	2.22%	2.45%
DOED	151.0	29.6	20.0%	3.0	2.0 %	173.3	36.5	21.6%	3.0	1.8%	2. %
USIA	110.0	20.8	24.5%	2.2	2.0 %	81.4	13.0	22.9%	2.3	2.9 %	2.5 %
OPM	60.8	25.2	48.0%	7.3	12.0 %	45.2	20.7	52.0%	.2	.6 %	7.5 %
SBA	20.0	10.3	68.5%	.5	2.6 %	28.0	11.1	80.5%	1.5	5.5 %	3. %

TRENDS IN FEDERAL PRIME CONTRACT AWARD ACTIVITY TO WOMEN OWNED SMALL BUSINESSES

FY	Goals (mils.)	Achievements (mils.)
1979		$181.3
1980	$211.3	388.4
1981	407.9	631.5
1982	480.4	683.3
1983	640.0	863.4
1984	865.7	1,146.6
1985	1,066.3	1,283.3
1986	1,330.2	1,613.7
1987	1,496.4	1,731.7

Percentage of Prime Contract Award Achievements to Women-owned Small Businesses to Total Procurement

FY	
1979	.22
1980	.37
1981	.56
1982	.52
1983	.57
1984	.71
1985	.74
1986	.9
1987	1.0

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

August 24, 1988

Ms. LaVon E. French
Counsel
Committee on Small Business
House of Representatives
Washington, DC 20515

Dear Ms. French:

The attached information is in response to your request.

As you can see, over 1.4 million women have been counseled. We do not however have a break out on those who attended the Meet the Lenders conference.

If I can be of further assistance, please do not hesitate to call.

Sincerely,

Cliff Downen

Clifford Downen
Assistant Administrator for
Congressional & Legislative Affairs

Attachment

SBA MANAGEMENT INFORMATION SYSTEM FIELD DATA

YEAR	WOMEN ATTENDEES
1980	144,042
1981	165,340
1982	161,874
1983	168,601
1984	93,871
1985	239,316
1986	212,585
1987	227,212
1988	No longer counted by MIS
TOTAL	1,412,841

Management Information System (MIS) does not include the number of conferences held.

Remarks of the Honorable Silvio O. Conte
Hearing on Women's Business Issues
May 17, 1988

Thank you. Mr. Chairman, today's hearing is the fifth in a series of fascinating hearings on women's business issues. I have learned much from these hearings and have been very impressed with the quality of our witnesses.

Today's hearing will focus on the changing nature of the work force. Before we begin, I would like everyone to be aware of the fine work done in this area by the Congressional Clearinghouse of the Future.

Mr. Chairman, while our work force is changing, one critical barrier still remains - lack of access to capital. I would like to congratulate my colleagues on the mark up of H.R. 4174, which contains a section for a new guaranteed small loan program. I would also urge my colleagues to cosponsor H.R. 1897, the Equal Access to Commercial Credit Act introduced by our distinguished colleagues, John LaFalce and Lindy Boggs. This legislation closes a loophole in the Equal Credit Opportunity Act of 1974 that prevents equal access to commercial credit by women and minorities and requires lenders to establish sound business practices and to apply objective criteria when evaluating loan applications. I feel so strongly about this issue that I have written a dear colleague letter urging everyone to sign on.

Mr. Chairman, you are to be commended for convening this set of hearings and for introducing H.R. 1897. Let us all work together to translate the concerns of America's fastest growing segment of business owners, American women, into responsible and responsive legislation.

I welcome our distinguished panelists today and look forward to their testimony. Thank you.

Statement of
Bickley Townsend
Director of Research and Education
American Demographics, Inc.

before the
Committee on Small Business
U.S. House of Representatives

May 17, 1988

Mr. Chairman and Members of the Committee:

It is a pleasure to be here this morning to discuss the rapid and important changes taking place in the American workforce. The very fact that these hearings focus on issues affecting women business owners illustrates the subject I have been asked to address. Only a few years ago, women in business merited little notice from policy makers. In 1960 women started only one in ten new businesses. That figure has risen to one in three, and by 1995, it will be one in two. Today women represent 24% of all business owners.

Who are America's new workers? What kind of changes can we anticipate in the nation's labor force for the rest of the 20th century, and what will those changes mean to our society?

To summarize the changes ahead, America's workforce is becoming steadily

- older;
- better educated (but with an important caveat);
- more racially and ethnically diverse; and of course,
- more female.

These trends spell profound challenges for employers, for the economy, and for federal policy in the years ahead. I would like to sketch out the dimensions of each trend, and some of the economic and policy implications they suggest.

An Aging Workforce

We have heard a lot about the aging of the American population, particularly since the first baby boomer turned 40 and made headlines across the news media. After all, the baby boomers were synonymous with the youth culture. They were the flower children, the Pepsi generation, the ones who never trusted anyone over 30. No wonder their passage into middle age sent a shock wave through American society. What it told us was not just that they were no longer young, but that we, as a society, are no longer young.

The median age of the U.S. population has risen four years since 1970—from 28 to 32—and it will continue rising to 36 by the year 2000. America's labor force is also aging. The average worker today is aged 35.3. By the year 2000, the average worker will be a distinctly middle-aged 39 years old.

The aging of our labor force is happening partly because the baby boom is moving into middle age. But a second important reason is that young workers are becoming a scarce commodity, as the small "baby bust" generation born in the late 1960s and early 1970s reaches adulthood. In 1980 America counted 30 million 18 to 24 year olds; by 1995, that number will drop to 23.7 million, a decline of one-fifth.

I would like to emphasize that our workforce is not aging because older workers are remaining on the job for more years. In fact, just the opposite is happening. At the same time as young workers are shrinking as a share of the labor force, those in their 50s and 60s are taking early retirement in unprecedented numbers. Just a decade ago, only 17% of men aged 55 to 64 had retired. Today that number has doubled—to fully one-third who are no longer in the labor force—and the upward trend continues.

The rising age of the workforce is a double-edged sword. On the plus side of the ledger, the prospect of a somewhat older, more experienced labor force could herald an enormous productivity bonus on the horizon, one that could give our economy a welcome boost. After all, in the 1970s labor productivity stagnated, and largely to blame was the surge of young baby boomers and women into entry-level jobs. Now that these new workers have been absorbed, trained, and seasoned, we may see rising productivity per worker.

On the minus side, between now and the year 2000, America's workforce is expected to grow more slowly than at any time in our history except during the Great Depression. Of course there will be a great deal of regional variation in this decline, but overall, it signals a period of tighter labor, less flexibility for employers, and a real threat of wage inflation as scarce entry-level workers are able to bid up their price.

This shrinking labor pool will be a particularly critical problem for retailers, food marketers, and other businesses that rely on entry-level workers. Larger employers are already easing the crunch by substituting technology for labor; for example, many fast food chains now have installed beverage bars, which shifts the job of pouring the Cokes from the counter worker to the customer. Small businesses, of course, can't take advantage of high-tech solutions as easily as can large corporations. How to help them do so is something your Committee might consider.

Other issues for federal policy include how to ease the school-to-work transition for young people; retraining for older workers; and incentives to attract retirees back into the workforce, if only to fill part-time jobs where employers now find themselves short-handed.

Better Educated, But. . .

Turning to education, the overall trend is that America is becoming a steadily better educated society. Since 1970 alone, the proportion of adults who are high school graduates has risen from just over half (52%) to fully three-quarters. The rise in the college-educated population has been equally dramatic. The baby boom, as usual, gets most of the credit for this trend, as the most-educated generation in American history.

The baby boomers will also be remembered as the generation that closed the educational gender gap. Women have made tremendous strides in education in recent years. younger baby boom women, those now 25 to 34, one in a college degree, compared with fewer than one-tenth over the age of 55. What's more, as many young women now are college-educated. This is happening both bec women are continuing to go to college in record numb because, for the first time in memory, the share of y who complete college is declining. Nonetheless, the proportion of high school graduates who go on to col almost 60% last year, a record high.

The overall trend toward a more educated workfo good sign. Many of the fastest-growing occupations re least some college—jobs like paralegals, medical as and data processing analysts and repair people. In fa new study by the Hudson Institute, *Workforce 2000,* that "between now and the year 2000, for the first history, a majority of all new jobs will require postsecondary education."

But there is a dark side to the education story. Statistical averages mask the fact that too many you are failing, or being failed by, the educational sys have a persistently high rate of high school dropou particularly among children from low-income and min families—those who already have the fewest advantag life. We need to do all we can to help convince you to stay in school, and ideally, to go on to higher

Besides increasing the quantity of education our young people receive, we also need to improve the quality of that education. We cannot predict with precision the jobs of the future, but what we do know is that they will require much greater literacy and much better quantitative skills than many of our children now receive in the public schools. Educational reform has begun, but we have a long way to go to rebuild the educational standards and basic skills that fell by the wayside in the 1960s and '70s. The National Commission on Excellence in Education brought to public attention such statistics as the fact that 40% of recent high school graduates were unable to read at the 9th grade level. We are not doing any service to our young people by allowing them to graduate without basic skills.

An incident that happened last summer illustrates the consequences of this slide in school standards. As part of a model public-private partnership with a Brooklyn neighborhood coalition, a group of New York City banks promised to hire 250 graduates of five troubled city high schools. Imagine everyone's chagrin when the banks were able to find only 100 graduates who could pass the equivalent of an 8th grade math test. As the *New York Times* noted in an editorial, "That small failure signals a larger problem. The poor education of public school students now threatens not just their individual futures, but the future of the city's economy."

Productivity losses caused by poorly educated workers, together with the cost of remedial training, cost American businesses an estimated $25 billion each year. That is a cost that small business owners can ill afford to pay, and money that could be invested instead in greater productivity and economic growth.

I could not sum up the policy implications of this trend any better than Sam Ehrenhalt, the New York Regional Commissioner of Labor Statistics, who said recently, "Ultimately, the quality of the labor force may become the limiting factor on the New York City economy. That is why in my opinion improving educational outcomes now ranks as the city's number one economic development effort." I believe the conclusion holds true not just for New York, but for the country as a whole.

More Racially Diverse

Workforce 2000, the Hudson Institute study I mentioned earlier, made a number of interesting projections, but one in particular stood out. For the rest of the century, the authors concluded, native-born white men will make up only 15% of new workers. Since white males have traditionally been the backbone of our economy, this trend signals a whole new world ahead.

Clearly, the trend is already well advanced. When the First Interstate Building in Los Angeles was on fire recently, two janitors were trapped in an elevator. They were unable to work together to devise an escape strategy, because they could not communicate in the same language. Instead, they resorted to praying, one in Spanish, the other in Croatian.

One in five Americans today is black, Hispanic, Asian, or other minority. And a growing proportion of America's workers will be black, Hispanic, and Asian in the future. The impact of this new diversity will be more felt more dramatically in some geographic regions than others. For example, it is only a matter of a year or two before New York City has a "majority minority" labor force. Today just 50.5% of New York workers are white, non-Hispanic, and their share has been steadily declining. A number of other cities are also at or approaching the point at which it is no longer appropriate to refer to non-Caucasian ethnic groups as "minorities." These include Los Angeles, Detroit, Chicago, Philadelphia, Miami, a number of cities in Texas, and of course, Washington, D.C.

The growing racial and ethnic diversity of our workforce will put greater demands on employers. There will be more training needs, more language problems, the need for assistance with Immigration & Naturalization documentation, and greater responsibility on employers to avoid violating provisions of the immigration reform laws. At the same time, many new immigrants have already proven that they are at least as hard-working and enterprising as their predecessors in earlier generations, so we can expect that the growth of immigrant minorities in the workforce will have a positive impact on the economy.

The increase of blacks and other native-born minorities will mean continued issues of affirmative action and equal access to employment. Where these minorities are concentrated in disadvantaged areas, it will take special efforts in education, vocational training, and economic opportunity to bring more and more minority workers into the mainstream of the economy.

Women and the Workforce

I have reserved for last the trend of greatest interest to these hearings, and very probably the single most important trend that has ever taken place in the American labor market. That is the growing importance of women in the paid labor force.

Already women account for nearly two-thirds of all new workers and represent 45% of all workers, up from 39% in 1972. Seventy-one percent of women in the prime working ages (ages 25 to 54) are in the labor force, and the Bureau of Labor Statistics projects that rate will rise to 81% by 2000. According to the BLS, women's labor force participation will grow at an annual rate of 0.8%—half the 1972 to 1986 rate, but double the rate projected for the labor force as a whole for the rest of the century.

Women's work patterns across the life cycle have changed dramatically. Until the mid-1970s, women tended to drop out of the labor force in their childbearing years, so that fewer women worked in their 20s and 30s than at younger and older ages. This pattern has completely changed. More women today work in their childbearing years than at any other ages. When you chart labor force participation rates by age, women's patterns now look very similar to men's.

Women's occupational choices are also becoming more similar to men's. Some occupations—like teaching, nursing, and secretarial work—are still overwhelmingly female, while others—like engineers, pilots, and mechanics—are still dominated by men. But consider the inroads women have made into most once-male preserves. Today women represent 20% of all medical doctors (up from 10% as recently as 1972); 20% of all lawyers (compared to just 4% in 1972); 7% of all engineers, up from less than 1% in 1972. Women are almost half of bus drivers, and they are a majority of editors and reporters, computer operators, bill collectors, and shoe salespersons. Meanwhile, men represent a growing share of telephone operators, nurses, and typists.

So, male and female work patterns are becoming more unisex. Combining work and family has become the norm for most women—as well as for most men—today. The majority of mothers are now in the paid labor force: 72% of women with school-aged children and 57% of those with pre-schoolers. More than half of all new mothers are now back at work before their baby's first birthday. Most married couples today have two earners, and the majority of America's children are growing up with working mothers.

Is it any wonder that "family" issues related to employment, such as parental leave, child care, and flextime, have moved front and center on the policy agenda? I think we can expect them to remain there for the foreseeable future. Even so staunch a traditionalist as Senator Orrin Hatch is sponsoring child care legislation; he defended his bill recently by saying that no matter how much some people might long to go backward, America is not returning to an Ozzie and Harriet world.

America was founded on innovation. Our system of government was even called "the American experiment." Today we are embarked on a social and economic experiment almost as fundamental as that undertaken by the first settlers to our shores. The premise of this experiment is that men and women can co-exist as truly equal partners in the family and in the factory, in the boardroom as well as in the bedroom. There is no precedent for the new work and family forms we are forging today. We are navigating waters as uncharted as were the shoals off New England to the early settlers. Today, as then, a great deal rests on the outcome of this experiment. At stake is the well-being of our nation's children, the human capital of the next generation. The value of women's investment in human capital hangs in the balance. Even America's competitiveness could depend on whether this experiment works.

I urge you to do all you can to ensure its success.

AMERICA'S NEW WORKERS

Dramatic changes in the labor force mean that businesses will have to become more flexible in order to compete in the 1990s.

◆

by Martha Farnsworth Riche

The Chinese symbol for crisis combines the symbols for danger and opportunity. Businesses of all kinds might want to remember this as they adjust to the new work force. During the next decade, white men will account for only one in four new workers, the number of entry-level workers will fall by 8 percent, and virtually all new jobs will be in the service industries.

Last fall, the Bureau of Labor Statistics issued its first projections of labor force growth to the year 2000. The projections are dramatic for two reasons: first, they show sharply slower growth in the labor force, particularly among younger workers; second, they suggest that the people who will be entering the labor force in the years ahead may not have the skills that employers need.

Overall, the labor force will grow only 1.2 percent a year between 1986 and 2000, down from the average annual 2.2 percent growth rate from 1972 to 1986. This will be the slowest rate of labor force growth since the 1930s. The slower growth is partly due to slower population growth. But it also results from the maturing of the baby boom. The baby-boom generation is now at work. Until the end of the century, the small baby-bust generation will be supplying the nation's new workers.

Between 1986 and 2000, the prime-

Martha Farnsworth Riche is a senior editor of American Demographics.

THE WORKERS

Between 1986 and 2000, the number of workers aged 45 to 54 as well as minority workers will increase rapidly.

(civilian labor force and labor force participation rates by sex, age, race, and Hispanic origin, 1986; and moderate growth projections to 2000)

	participation rate 1986	participation rate 2000	number (in thousands) 1986	number (in thousands) 2000	percent change 1986-2000
Total, 16 and older	65.3%	67.8%	117,837	138,775	17.8%
Men, 16 and older	76.3%	74.7%	65,423	73,136	11.8%
16 to 19	56.4	60.2	4,102	4,501	9.7
20 to 24	85.8	87.5	8,149	7,005	-14.0
25 to 34	94.6	93.6	19,383	16,559	-14.6
35 to 44	94.8	93.9	15,029	20,133	34.0
45 to 54	91.0	90.1	9,994	16,332	63.4
55 to 64	67.3	63.2	6,954	7,238	4.1
65 and older	16.0	9.9	1,812	1,368	-24.5
Women, 16 and older	55.3%	61.5%	52,414	65,639	25.2%
16 to 19	52.9	59.2	3,824	4,379	14.5
20 to 24	72.4	78.4	7,293	6,746	-7.5
25 to 34	71.6	82.3	15,209	15,096	-0.7
35 to 44	73.1	84.2	12,204	18,438	51.1
45 to 54	65.9	75.4	7,746	14,220	83.6
55 to 64	42.3	45.8	4,940	5,732	16.0
65 and older	7.4	5.4	1,198	1,026	-14.4
Whites, 16 and older	65.5%	68.2%	101,801	116,701	14.6%
Men	76.9	75.3	57,216	62,252	8.8
Women	55.0	61.5	44,585	54,449	22.1
Blacks, 16 and older	63.5%	66.0%	12,684	16,334	28.8%
Men	71.2	70.7	6,373	7,926	24.4
Women	57.2	62.1	6,311	8,408	33.2
Asian and other,[1] 16 and older	64.9%	65.8%	3,352	5,740	71.2%
Men	74.9	72.4	1,834	2,958	61.3
Women	55.9	60.1	1,318	2,782	83.3
Hispanics,[2] 16 and older	65.4%	68.7%	8,076	14,086	74.4%
Men	81.0	80.4	4,948	8,303	67.8
Women	50.1	56.9	3,128	5,783	84.9

[1] The "Asian and other" group includes American Indians, Alaskan natives, Asians and Pacific Islanders.

[2] Persons of Hispanic origin may be of any race.

Source: Bureau of Labor Statistics, 1987

age work force (aged 25 to 54) will grow by 1.7 percent a year. At the same time, the youth work force will decline by 0.2 percent a year, while the older work force will grow by 0.2 percent a year. As a result of these different growth rates, prime-age workers will account for 73 percent of the work force in 2000, up from 67 percent in 1986. Youths will account for only 16 percent, down from 20 percent. Older workers will also decline as a share of the labor force: workers aged 55 and over will account for 11 percent of all workers in 2000, down from 13 percent in 1986.

The Bureau of Labor Statistics projects slow growth in the older work force because it assumes that men aged 55 and older will be less likely to work in 2000 than they are today. But "when the baby-boom women will retire is a big unknown," says Ronald Kutscher, BLS associate commissioner for economic growth and employment projections. Without past experience to go on, it is hard to predict the retirement choices of women who have spent most of their lives at work. Moreover, workers' retirement decisions may be affected by other trends. Employers may use incentives to keep older people on the job, or older people may decide they need to keep working if their retirement income is inadequate.

A NEW LOOK

One thing is certain: in the next decade, the labor force is going to be older. The maturing of the baby boom will raise the median age of the labor force from 35.3 years in 1986 to 38.9 years in 2000. This is still below the post-World War II peak of 40.6 years in 1962, but substantially above the record low of 34.6 years in 1980. An aging work force worries many economists concerned about productivity growth, since older workers traditionally have been less willing to retrain or to move to a different part of the country for a new job.

The work force is also going to be more female. The BLS projects an annual increase in women's labor force participation of 0.8 percent—half the 1972 to 1986 rate, but double the rate projected for the labor force as a whole

NEARLY ALL NEW JOBS CREATED IN THE U.S. BETWEEN NOW AND 2000 WILL BE IN THE SERVICE-PRODUCING INDUSTRIES

for the rest of the century. By 2000, 81 percent of women in the prime working ages should be in the labor force, up from 71 percent in 1986. Women will continue to account for nearly two-thirds of all new workers and represent fully 47 percent of all workers by 2000, up from 45 percent in 1986 and 39 percent in 1972.

The third significant shift in the labor force is the increase in minority workers. Hispanics will account for 29 percent of all new workers as the number of Hispanic workers grows by 4.1 percent a year for the rest of the century. Overall, the number of Hispanic workers will be up by 74 percent, representing 10 percent of all workers by 2000. In 1986, Hispanics were 7 percent of all workers. The growth of the Hispanic labor force could vary dramatically, however, according to BLS demographer Howard Fullerton. The current projections assume a continued high level of immigration, and most immigrants are of working age. The BLS projections include estimates of illegal workers for the first time. If legal or illegal immigration to the U.S. slows, then the Hispanic labor force will grow more slowly than the BLS projections assume.

Asians and "other" racial groups will account for 11 percent of all new workers, growing by 3.9 percent a year for a total growth of 71 percent from 1986 to 2000. If immigration rates continue to be high, Asians will become an important source of new workers. As it is, immigrants will represent the largest share of new workers than at any time since World War I.

Since most Hispanics are white, the growth in their numbers is driving the increase in the white labor force, projected to rise by 1.0 percent a year. The black labor force is expected to grow at an annual rate of 1.8 percent. Blacks will account for 18 percent of all new workers during the rest of the century, with their share of the labor force rising from 11 to 12 percent. This growth is driven by the increase in the black population, though the BLS assumes that black men will be less likely to join the work force in 2000 than they are today. If that assumption is correct, there will be more black women than black men in the labor force by 2000. There also will be more Hispanic men than black men in the labor force by then.

THE JOBS

Technical and service jobs will increase the fastest between 1986 and 2000, while private household work and jobs in farming, forestry, and fishing will continue to decline.

(employment by broad occupational group, 1986 and projected to 2000; numbers in thousands)

	1986		2000		percent change
	number	percent	number	percent	1986-2000
Total	111,623	100.0%	133,030	100.0%	19.2%
Executive, administrative and managerial	10,583	9.5	13,616	10.2	28.7
Professional workers	13,538	12.1	17,192	12.9	27.0
Technicians and related support workers	3,726	3.3	5,151	3.9	38.2
Salesworkers	12,606	11.3	16,334	12.3	29.6
Administrative support *(including clerical)*	19,851	17.8	22,109	16.6	11.4
Private household workers	981	0.9	955	0.7	-2.7
Service workers *(except private household)*	16,555	14.8	21,962	16.5	32.7
Precision production, craft, & repair workers	13,924	12.5	15,590	11.7	12.0
Operators, fabricators, and laborers	16,300	14.6	16,724	12.6	2.6
Farming, forestry, and fishing workers	3,556	3.2	3,393	2.[illegible]	-4.6

Source: Bureau of Labor Statistics, 1987

These changes point to a new breed of worker, one who is more likely to be black, Hispanic, or Asian. But it will take years before the labor force as a whole takes on this new look because the predominantly white baby boom will dominate the work force for decades.

HOT OCCUPATIONS

The new projections offer some stunning perspectives, such as the prediction that nearly all new jobs created in the U.S. between now and 2000 will be in the service-producing industries. On the face of it, this seems dramatic, but in reality almost all industries outside of manufacturing and agriculture, which produce goods, are service industries. These include low-paying retail trade, but also education, health care, government, and finance, all of which offer large numbers of high-paying jobs.

Although some manufacturing industries will offer more jobs, others will cut back, resulting in no change in manufacturing employment between now and 2000. Though the value of manufacturing will grow, increasing productivity will cap the size of the manufacturing work force.

This industrial evolution has led to fears that the nation will lose its middle class. If "middle class" means a high-paid factory worker without much of an education able to maintain a family,

THE BIGGEST GAINERS

Many of the jobs projected to have the most openings between 1986 and 2000 are in service work and require little education and offer few opportunities for advancement.

(occupations with the largest job growth, 1986–2000, moderate alternative; numbers in thousands)

	employment		change in employment 1986–2000	
	1986	2000	number	percent change
Salespersons, retail	3,579	4,780	1,201	33.5%
Waiters and waitresses	1,702	2,454	752	44.2
Registered nurses	1,406	2,018	612	43.6
Janitors and cleaners, including maids and housekeeping cleaners	2,676	3,280	604	22.6
General managers and top executives	2,383	2,965	582	24.4
Cashiers	2,165	2,740	575	26.5
Truck drivers, light and heavy	2,211	2,736	525	23.8
General office clerks	2,361	2,824	462	19.6
Food counter, fountain, and related workers	1,500	1,949	449	29.9
Nursing aides, orderlies, and attendants	1,224	1,658	433	35.4
Secretaries	3,234	3,658	424	13.1
Guards	794	1,177	383	48.3
Accountants and auditors	945	1,322	376	39.8
Computer programmers	479	813	335	69.9
Food preparation workers	949	1,273	324	34.2
Teachers, kindergarten and elementary	1,527	1,826	299	19.6
Receptionists and information clerks	682	964	282	41.4
Computer systems analysts, electronic data processing	331	582	251	75.6
Cooks, restaurant	520	759	240	46.2
Licensed practical nurses	631	869	238	37.7

Source: Bureau of Labor Statistics, 1987

these fears are well-founded. The current trends in industrial and occupational growth mean that people's educational levels and their family status will increasingly determine their income levels—and that signals more income inequality among households.

Factory jobs are income levelers. In a factory, a majority of workers contribute almost equally to production, and their earnings reflect this equality. The greater variety of service jobs results in a greater variation in pay. While service jobs create work opportunities for women, they also magnify income inequality because people tend to marry their socioeconomic equals. Households with two earners now account for the largest share of American households. If both earners are professionals, their household income will be much greater than if both earners are clerks.

"Between now and the year 2000, for the first time in history, a majority of all new jobs will require postsecondary education," notes *Workforce 2000*, a new report from the Hudson Institute.* The new BLS projections divide occupations into three groups: those in which at least two-thirds of the workers in 1986 had some college education, those in which the median amount of schooling was greater than 12 years and in which the proportion of workers with less than a high school diploma was low, and those in which the proportion of workers without a high school diploma exceeded 30 percent. The employment share of the first group will increase, rising from 25 percent of all jobs in 1986 to 27 percent in 2000. The employment share of the second group will drop by less than 1 percentage point to 40 percent, while the employment share of the third group will drop from 34 percent to under 33 percent.

The reason that the share of jobs that require the least education will not suffer a greater drop is that service workers (waiters, cashiers, and so on) are increasing as a proportion of all workers. Many of the jobs that will have the most openings in the decade ahead are service jobs that require little education and offer little hope for advancement. At the same time, the number of manufacturing and agricultural jobs that require little education will decline. In contrast, among the jobs that require the most education, all but one occupational group (teachers, librarians, and counselors) will increase as a share of total employment. The biggest increases will be in managers, technicians, and health diagnosis and treatment workers.

Overall, the number of jobs is expected to increase by nearly 20 percent between 1986 and 2000. This is only about half the rate of increase of the

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* Workforce 2000—Work and Workers for the 21st Century, *by William B. Johnston, Hudson Institute, Indianapolis, Indiana, 1987.*

SLOWER LABOR FORCE GROWTH COULD HURT THE ECONOMY

UNLESS PRODUCTIVITY IMPROVES IN SERVICE INDUSTRIES

previous 14 years. Slower job growth means that the coming occupational shifts, though dramatic, will not change the face of employment much in this century.

But there will be problems in matching new workers with jobs. Blacks and Hispanics, in part because of their relatively low educational levels, are more likely to work in the occupations that are projected to grow slowly or decline than to work in the rapidly growing occupations. Minority workers will need more training if they are to take advantage of job growth in the 1990s.

Women are underrepresented in only two of the fast-growing occupational groups: natural scientists and computer specialists; and engineers, architects, and surveyors. Women are heavily represented in only one occupational cluster that is projected to decline: machine setters and operators. Because there will be few white men entering the labor force, employers who have depended on white men will be forced to open their doors to others. This means more opportunities for qualified women and minorities.

BUSINESS OPPORTUNITIES

Slower labor force growth could hurt the economy unless productivity improves in the rapidly growing service industries. But labor shortages of skilled and unskilled workers may spur productivity improvements. Businesses that produce labor-saving equipment and processes are likely to see demand growing for their products. The Hudson Institute suggests self-diagnostic health clinics and automated supermarket checkout counters among other solutions to the coming labor shortages.

Industries that depend on population growth to drive their markets—such as the food, automobile, and housing industries—will face slower growth be-

RISING FAST

Many of the jobs that will be increasing the fastest between 1986 and 2000 require at least a college degree.

(fastest growing occupations, 1986–2000, moderate alternative; numbers in thousands)

	employment		*percent gain*
	1986	***2000***	***1986–2000***
Paralegal personnel	61	125	103.7%
Medical assistants	132	251	90.4
Physical therapists	61	115	87.5
Physical and corrective therapy assistants and aides	36	65	81.6
Data processing equipment repairers	69	125	80.4
Home health aides	138	249	80.1
Podiatrists	13	23	77.2
Computer systems analysts, electronic data processing	331	582	75.6
Medical records technicians	40	70	75.0
Employment interviewers, private or public employment service	75	129	71.2

Source: Bureau of Labor Statistics, 1987

THE LOSERS

Changing technology as well as global competition means that fewer workers will be needed to fill these jobs.

(fastest declining occupations, 1986–2000, moderate alternative; numbers in thousands)

	employment		*percent decline*
	1986	***2000***	***1986–2000***
Electrical and electronic assemblers	249	116	–53.7%
Electronic semiconductor processors	29	14	–51.1
Railroad conductors and yardmasters	29	17	–40.9
Railroad brake, signal, and switch operators	42	25	–39.9
Gas and petroleum plant and system occupations	31	20	–34.3
Industrial truck and tractor operators	426	283	–33.6
Shoe sewing machine operators and tenders	27	18	–32.1
Station installers and repairers, telephone	58	40	–31.8
Chemical equipment controllers, operators and tenders	73	52	–29.7
Chemical plant and system operators	33	23	–29.6
Stenographers	178	128	–28.2
Farmers	1,182	850	–28.1
Statistical clerks	71	52	–26.4

Source: Bureau of Labor Statistics, 1987 cause there will be fewer young people demanding these products. But the maturing of the population means more demand for products and services linked to higher incomes, like restaurant meals, travel, personal-care products, and luxury goods.

A maturing work force is a mixed blessing. On the one hand, productivity should increase as the work force becomes more seasoned. On the other hand, older workers are less flexible about changing jobs, changing locations, and changing occupations. At the same time, increasing global competition combined with the rapid pace of technological change puts a premium on flexibility for businesses.

This creates opportunities for businesses that specialize in helping workers become more flexible. Firms that train other firms' workers will be in a strong position because training and retraining will be increasingly important. Firms that aid in job search and placement, including spouse relocation, will proliferate.

The changing labor force is a mixed blessing geographically as well. Areas that are growing will have more flexibility. Regionally, this means that the South and West will benefit because they have growing industries and populations. Since migrants tend to be young, the areas that have been gaining population through migration have also been gaining the youth of tomorrow. In contrast, the Midwest and Northeast have a slow-growing, older population. The migration losses of the last decade have cost these regions both their present and future young workers. If immigration to the U.S. continues at its current pace, the South and the West will receive the lion's share of these workers too. This means that it will be progressively easier to start or to expand businesses there than in the Northeast or Midwest.

WHY ADULT

While the adult population in the U.S. grew by one-third between 1969 and 1984, the number of people taking adult education courses grew by 79 percent. The number of courses people took more than doubled, from 20 million to over 40 million. During those 14 years, a period of slowing population growth, the adult education market more than doubled.

In 1969, only one-quarter (25 percent) of the courses people took were job-related. But in 1984, nearly half (43 percent) were job-related. Adult education is becoming more closely tied to the needs of businesses. The fastest growing consumers of adult education are people aged 35 to 54: 11 percent of this age group were taking adult education courses in 1969, but 17 percent were enrolled in 1984, according to the Center for Education Statistics.* So among the most affluent age group—people in the midst of their careers—the market penetration has gone from one in ten to one in six.

There are three reasons for this glowing performance. The first is the growing mechanization of offices and the increased need for training that goes along with it. The second reason is that between 1969 and 1984, the baby boom flooded the labor force and swelled the ranks of people who needed job training. Third, women entered the labor force in the millions. Many of these women were going back to work after raising children. They needed training as they began their second careers.

The next 15 years are likely to be even better for adult education than the last 15 years. Here's why: 70 percent of the adult education market are aged 25 to 54. These are the career-building years, when people are striving to get ahead. Sixty percent of the market are baby boomers, though baby boomers are just 42 percent of the total

**See Trends in Adult Education 1969–1984 by Susan T. Hill, available free of charge from the CES at 1-800-424-1616.*

Within regions, there are geographic imbalances between jobs and workers. Just as developments in communications and transportation reshaped American cities in the early part of this century, shifts in the location of work caused by the rise of the service economy will restructure the urban landscape through the rest of the century. Blacks and Hispanics are concentrated in central cities. Yet many service jobs are located in the suburbs, where most Americans now live. Service businesses almost by definition must locate close

EDUCATION IS HOT

adult population. It's likely that baby boomers will continue to be the best customers of adult education for years to come because the better educated people are, the more willing they are to sign up for even more schooling.

THE STRATEGY

To succeed in the years ahead, adult education programs should ally themselves more closely with employers. Large for-profit corporations now spend an estimated $2 billion educating their executives every year. Most of these executives are enrolled in programs that will lead to an MBA. But according to the Battelle Memorial Institute of Columbus, Ohio, the most rapidly growing types of executive programs are short seminars. Of the 4 million participants in executive education programs in 1986, 3 million received company-specific training from a company employee or a consultant, says Battelle researcher Steve McLaughlin. Business schools at Michigan, Duke, and other universities now send professors to corporations to teach courses at company headquarters.

But executive education is just the tip of the iceberg. The real growth in the next decade will lie in teaching far more basic skills. In a recent report, the National Alliance of Business predicts that the number of high school dropouts will increase to over 1 million a year. The result will be more youth unemployment in an age of labor shortages.

Some employers complain that although they have enough applicants for their openings, many are functionally illiterate and lack the interpersonal skills necessary for their jobs. Productivity losses caused by poorly educated workers, together with the cost of remedial training, drain American businesses of an estimated $25 billion each year, according to Anthony Carnevale, chief economist for the American Society for Training and Development in Alexandria, Virginia.

If public education has not provided young people with basic skills, then their employers will have to train them to do their jobs. In Saginaw, Michigan, the Dow Chemical Company contracts with the local school system to provide special training in English, math, and science to local people. About 50 people signed up for this program last year, and 11 are now Dow employees. Other corporations that have made multimillion dollar commitments to basic training include Prudential, Xerox, Metropolitan Life, Pizza Hut, and Coca-Cola.

Public education is where the U.S. Postal Service was ten years ago. In the mid-1970s, a small company in Memphis called Federal Express began offering overnight delivery for a price. Businesses that were frustrated by slow postal deliveries flocked to it. Now Federal Express, Airborne, Purolator, and Emery are tapped into a large and rapidly growing market.

In the next decade, education may be the business service that private companies take from the government by default.

—Brad Edmondson

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to the consumer. Central city residents who want to work will face lengthy commutes to the suburbs.

Flexibility is the key to making the most of the opportunities that the changing work force brings. If the work force of tomorrow is going to be older, more female, and more black, Hispanic, and Asian, then employers cannot rely on an annual crop of freshly educated young white men to fill jobs. Employee training and retraining will be the key to flexibility. The Hudson Institute's report concludes that during the rest of this century, "the good fortune to be born in or to immigrate to the United States will make less difference than the luck or initiative to be well-educated and well-trained." Perhaps adult education will be the real growth industry of the future. ●

The Facts About Working Women

Strategic Marketing Sampler

Working Women

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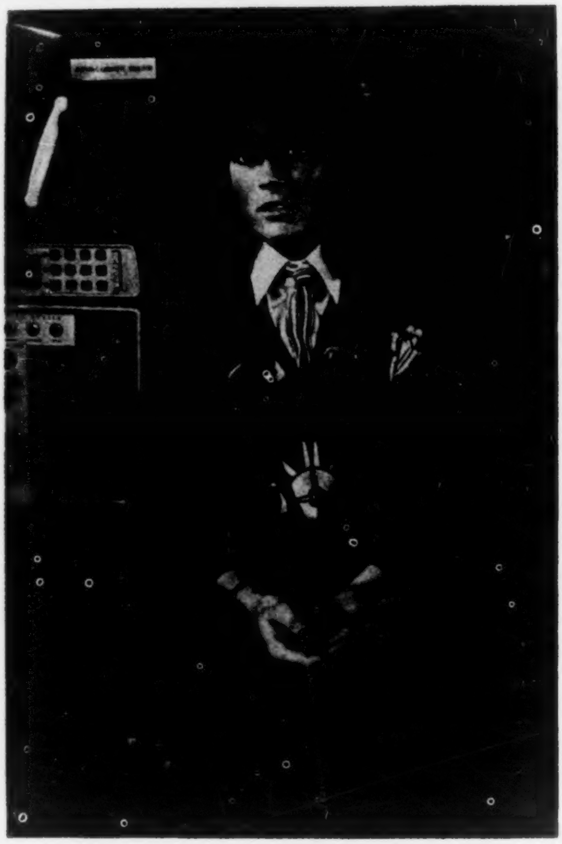
American Demographics
Box 68
Ithaca, New York 14851
(607) 273-6343

Women, and the 59-Cent Dollar

by Barbara Everitt Bryant



The average woman earns only 59 percent of what a man earns. But it is her own doing—at least in part. This is one conclusion of a series of studies that looked at the lifestyle and career preferences of American women.

A plurality of women want to stay home with their young children, if they can afford to do so. Forty-six percent of adult women told a 1982 national survey by Market Opinion Research that the ideal lifestyle would be to stay home while their children were young, and to combine jobs with homemaking throughout the rest of their careers. The figure has dropped only three percentage points since 1975.

While discrimination may be a factor in the sex gap in income, four types of choices women make for themselves keep their wages below those of men.

- Many American women want to move in and out of the labor force, choosing to remain at home if they can while their children are young.
- Career preferences are for traditional, lower-paying "female" occupations.
- Women remain disproportionately illiterate in mathematics, science, and engineering.
- And significant proportions of women become pregnant too soon, marry too young, or divorce with too

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Barbara Everitt Bryant is senior vice president of Market Opinion Research, Detroit, and Canadian Opinion Research, Toronto.

little financial support for children.

In 1982, 12 percent of women believed the ideal lifestyle was to be mainly a jobholder or career woman, up from 5 percent in 1975. One in five would choose to be mainly a homemaker, down just 2 percentage points from 1975. Twenty-two percent would combine a job or career with homemaking, using daycare if they had children. In 1975, 24 percent gave this answer. These figures are based on representative samples of women aged 18 or older from across the country.

A preference for staying home with preschool children cuts across all subgroups. On this point there is no difference of opinion between homemakers and those who are employed. The 46 percent who choose staying at home with young children as the ideal lifestyle includes fully 49 percent of those who are currently employed—an even higher share than the 41 percent of the nonemployed who express this preference.

While women's attitudes in this area appear to have changed little since 1975, the proportion of women who in fact stay at home—regardless of what they may perceive as the ideal lifestyle—has been dropping steadily. The proportion employed outside the home has risen from only 42 percent in 1975 to 54 percent in 1982. Of the total, 37 percent in 1982 were employed full-time versus 31 percent in 1975. Seventeen percent worked part-time in 1982, and 11 percent in 1975.

And the 54 percent who were employed in 1982 included fully 71 percent of unmarried women under age 35, 54 percent of all married women with children at home, 43 percent of all women between the ages of 55 and 64, and even 9 percent of women aged 65 or older. The working mothers include those who take jobs because of economic necessity, but would rather be home full-time, as well as those who take a maternity leave and return to the job quickly.

The kind of women who express the strongest preferences for staying home while their children are young include those who make homemaking a creative activity. They find life at home more interesting and more varied than the jobs they leave in offices and retail stores. These are the women who enjoy experimenting with a new recipe, putting up their own jam, sewing clothes for their children taking the children to a park, leading a scout troop, and having time to get involved with their children's activities and schools. For some in this group a part-time job is the compromise between what they want to do and what they must do to afford the middle-class living they expect for their families.

The mothers who prefer to work and use baby-sitters and child-care centers are of two varieties. The obvious group are the career-oriented professionals on the fast track. A lengthy absence from their careers would slow their upward mobility. However, there is another type of woman, who is less career-oriented. Her job may be "just a job" (a description used by Rena Bartos to classify women in her book on marketing, *The Moving Target*). However, her job is the source of her social life. She likes to interact with other adults and finds isolation in the home too lonely.

Career Outlook

Women's outlooks on careers are changing. The differences by age are striking, and they appear principally in the characteristics of those who choose being "mainly a homemaker." Of the 20 percent who prefer lives mainly as housewives, only 5 percent are unmarried women under 35, compared to nearly one-third of those who are empty-nesters or widows.

The latter groups either look back on their choices of lifestyle with contentment, or justify the lives they have led, because they perceive as ideal the choices they made years ago. When they were young, of course, a narrower range of careers were open to women.

While the gap in median income between women and men has narrowed by three percentage points between 1979 and 1982—reflecting in large measure the career-oriented outlook of younger women—it is not discrimination alone that keeps the income gap so large, as some people charge. It is also women's lifestyle preferences. Whatever the benefits of an at-home mother for mother or child, women who make this choice must assess realistically the tradeoff they are making between their lifestyle desires and opportunities for career advancement.

Unless a woman finds a way to return to the work force better prepared than when she left, she will be at a disadvantage compared to men and to other women who kept working. She will have less experience, less seniority, and a shorter salary history. Some women who return to work after raising a child have updated their skills and re-enter the work force even better able to cope with new technologies and management approaches than men who have worked continuously.

The vast majority, however, return to be forever frustrated by earning less than the men their age. Is job discrimination the cause of their frustration, or is it a consequence of social roles and their own lifestyle choices?

Career Choices

Women's career choices also contribute to the income gap. In part, they choose professions that allow them to move in and out of the work force, and these professions are not highly paid. When a statewide sample of 900 women in Michigan was asked to rate 48 occupations from least to most desirable for a woman, the highest overall ratings went to nurse and medical technician. Nursing may be an outstanding profession, but its pay is low—nor is it the kind of occupation a sample of men would choose as the most desirable.

The 48 occupations were selected by the Michigan Department of Labor and the Michigan Women's Commission to represent most occupational categories—including both female- and male-dominated occupations. Included were pairs of similar professions with different sex profiles. The choices were revealing. Women rated being an elementary school teacher at 76 on a scale of 0 to 100, where 100 was the most desirable. They rated high school physics teacher at 69, although physics teachers are in greater demand and usually command better salaries than elementary school teachers.

Women ranked a career as an electrical engineer significantly less desirable than one as a social worker. Corporate employment offices today send recruiters to campuses to recruit engineers, while social workers can't find jobs anywhere. Salaries depend on supply and demand as well as training.

Avoiding Math

Women pay a high price for having been socialized to believe that "girls aren't good in math." In most high schools, mathematics enrollment drops by half after Algebra I, limiting high-technology career options for both males and females. The drop is much sharper for female than for male students, however, according to the Project on Equal Education Rights, funded by the National Organization for Women.

In Ann Arbor—one of the top school districts in Michigan, where students take more math than in most school systems—85 percent of the boys and 77 percent of the girls take math in eleventh grade. By twelfth grade, however, the figure drops to only 55 percent of the boys and just 37 percent of the girls. This decline means that only a little over one-third of the female students from this college-preparatory-oriented school district have the background needed to enter a scientific field in college.

Only 4 percent of engineers in the U.S. in 1981 were women, according to the Bureau of Labor Statistics. However, this proportion was up from 1 percent a decade earlier. In 1981 women made up 22 percent of those employed in the life and physical sciences, a jump from 8 percent in 1971. While the proportions of women are increasing in the occupations that command higher salaries but require math proficiency, women still have a long way to go to achieve parity with men. For the income gap to close, it is essential that girls take all the math they can in high school.

Women at the Top ... and at the Bottom

Only a fraction of women today earn the high salaries of top business managers. The upper ranks of corporations, universities, the media, and other large organizations include few women. One reason is that women over age 45, who might otherwise qualify, were not encouraged, or even allowed, to enter the schools that would have prepared them for such posts. A generation ago, the Class of 1957 at two top business schools, the Amos Tuck School at Dartmouth and the Harvard Business School, had no women graduates.

Today that has changed. Discrimination has given way to a surge of young women in higher professional education. The Class of 1982 at the Harvard Business School included 168 women, and the Amos Tuck School graduated 36. In 1957 only 2 percent of the students at the Georgetown University Law Center were women; today the proportion is 40 percent. The baby-boom generation's young women, emerging from such schools, have already become a force in middle management. Eventually women should appear at the top as well. According to the Bureau of Labor Statistics, 14 percent of lawyers and judges were women in 1981, up from 9 percent a decade earlier.

"Nearly half of American women say they want to move in and out of the labor force, finding it ideal to stay at home with their small children, and combining work with family life later on."

Perceived Ideal Lifestyle by Age (1975, 1982) and Life Stage (1982) (in percent)

Ideal Lifestyle	AGE 1975	AGE 1982	Total 1975	Total 1982	18-24 1975	18-24 1982	25-34 1975	25-34 1982	35-44 1975	35-44 1982	45-54 1975	45-54 1982	55-64 1975	55-64 1982	65+	LIFE STAGE	Young Single (under 35)	Young Married (under 35, no children)	Married Mother (children at home)	Divorced (or separated)	Older Married (35+, children at home)	Older Single (35+)	Widow
Be mainly a job holder or career woman	5	12	9	16	5	9	5	9	4	12	6	9	6	9		25	8	4	27	5	49	13	
Be mainly a homemaker	22	20	9	6	10	11	21	17	28	25	30	28	40	41		5	10	15	8	35	17	35	
Combine job or career with homemaking, using childcare if you have children	24	22	31	25	27	25	30	24	22	22	17	19	12	25		23	24	26	26	19	18	16	
If you have children, stay home when they are young, combine job or career with homemaking at other time in life	49	46	51	53	58	55	44	50	46	41	47	44	42	25		47	58	55	39	41	16	36	

Source: Market Opinion Research

The management pipelines are filling with women, and as they move through they will pull women's median salaries upward. On the other hand, poverty has become disproportionately female, and this trend pulls the median down. One-third of families headed by a woman with no husband present in 1980 were below the poverty level, according to census figures. The median household income in 1979 for a dual-income family was over $26,000. For a female householder without a husband present, the median was less than $10,000—38 percent of that of the two-income couple.

America's underclass includes girls who get pregnant while still in their teens; young women who marry before completing school and drop out; and women who marry expecting to be supported by their husbands but then divorce, to find themselves with young children and inadequate support from the ex-husband. The low incomes of these women are another reason why women's salaries in general average so much less than men's.

The 1980 U.S. birthrate was up 3 percent from the year before among all women, according to the National Center for Health Statistics, but among unmarried women it was up 11 percent. Births to those still counted as children themselves—girls under age 15—rose 8 percent. For teenage girls, early sexual activity and failure to practice birth control can have a lifetime of economic consequences.

Opposing Forces

Opposing forces tug at women's 59-cent dollar. The gap between men's and women's wages will shrink further, but it is not likely to disappear. Some trends work to close the gap, others widen it. Upwardly mobile young women, with a college education and career ambitions, could become a powerful force pushing up women's median wages. And wages will rise as more women select higher-paying occupations—telephone lineman instead of telephone operator, engineer rather than elementary school teacher.

But girls who have their first child as a teenager outside marriage, who drop out of school, or who divorce without job skills or sufficient support for their children will find it impossible to compete for jobs.

Finally, there is the matter of choice. Women who drop out of the labor force while their children are young cannot expect to return to jobs that command wages competitive with men's unless they invest in upgrading their skills. Even then, it is hard to make up for lost experience. Nearly half of American women say they want to move in and out of the labor force, finding it ideal to stay at home with their small children, and combining work with family life later on. Men have not been able to make this choice. But that may be changing too. •

Demographic Opportunities / Fabian Linden

Working-Women Households

For marketers, the working woman—and particularly the working wife—is somebody special. Well over half of all wives are now employed, compared to only one out of four 40 years ago. The dimension of this shift and its abruptness have meant profound differences not only in the buying power of the average household but in the goods that go into the typical market basket.

Today's working women are an entirely different breed from yesterday's modestly educated, single, female workers from poor families. The working women of the 1980s cut across the social spectrum and, in fact, tend to be a notch above average. The more schooling she has, the more likely it is that a woman will be in the labor force.

Since the majority of today's employed women are married, the sharp increase in their number has contributed appreciably to rapid growth in household earnings. In the past decade, for example, the number of households with earnings of $35,000 or more (in constant 1980 dollars) grew twice as fast as the nation's total households.

In the years ahead, the proportion of women working will continue to increase, but more slowly than in the past, simply because so many women are already in the labor force. Still, the economic importance of women will continue to grow as they move into more responsible and rewarding work.

Marketers need data not only about the characteristics of women workers—statistics that are generally available—but also about the characteristics of households that include a working wife. Such information has been extremely hard to find.

The data tape of the Census Bureau's Current Population Survey, conducted in March 1982, contains detailed information on the characteristics of households in which the wife works. The accompanying table shows the prevalence of working wives and the proportion of income which accrues to their households, according to the age of the household head. The table is the result of cross-tabulations by the Consumer Research Center.

Last year some 26.5 million, or 53.5 percent, of all husband-wife households included a working wife. The incomes of such households totaled an estimated $850 billion—more than 60 percent of the total income of husband-wife families. The incidence of working wives runs well above average in households headed by persons under age 55. The incidence of such families drops abruptly over age 55.

Husband-wife families in the broad age class 40-to-60 represent the most promising segment of the market. While this group accounts for some 36 percent of all husband-wife families, they have at their disposal 44 percent of the total income. •

Note: Every other month American Demographics presents current demographic statistics about consumers which are not found in traditional publications. The Consumer Research Center has additional such data available on request. For further information write Fabian Linden, Executive Director, Consumer Research Center, The Conference Board, 845 Third Ave., New York, NY 10022.

Working Wife Households by Age of Household Head, 1982

							Wife Working as Percent			
*household totals in millions, income totals in billions	Total		Husband-Wife Families		Wife Working		Total		Husband-Wife Families	
	Households	Income	Households	Income	Households	Income	Households	Income	Households	Income
Total*	83.5	$1,892	49.6	$1,394	26.5	$847	31.4%	44.8%	53.6%	60.8%
Under 25	7.2%	4.7%	5.1%	3.2%	6.7%	4.1%	29.4%	39.0%	69.8%	77.9%
25–29	11.4	10.2	10.7	8.9	15.3	11.3	42.1	49.9	75.5	77.0
30–34	11.7	12.3	12.6	12.3	14.3	14.6	38.3	53.0	59.9	71.9
35–39	10.1	11.8	11.4	12.3	14.4	14.0	45.0	53.1	67.0	69.2
40–44	8.3	10.7	9.5	11.6	11.9	13.9	45.3	58.3	66.2	73.1
45–49	7.3	9.7	8.5	10.5	11.0	12.4	47.5	57.3	68.3	71.4
50–54	7.6	10.0	9.1	11.2	10.1	11.9	41.4	53.0	58.8	64.6
55–59	8.0	9.8	9.1	10.8	8.5	9.9	33.6	44.9	49.8	55.4
60–64	7.6	7.1	8.0	8.0	4.9	5.4	20.5	31.6	32.7	40.4
65–69	6.7	5.1	6.4	5.0	1.9	1.8	8.8	16.0	15.4	22.3
70 and over	14.1	7.9	9.6	6.0	0.9	0.7	2.0	4.0	5.1	7.1
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	—	—	—	—

Wives Who Earn More Than Their Husbands

The American marketplace is changing because the American family is changing. Today, 6 million wives earn more than their husbands. And the number has grown rapidly.

Are these women the high-earning female superstars the media likes to describe, or are there other forces at work? While about one-third of wives who outearn their husbands have more education than their husbands, and one-third work as managers or professionals, nearly two-thirds do not have college degrees.

In dual-earner couples in which the wife earned more than the husband in 1981, over half of the husbands worked less than full-time. While some of these husbands were today's mothers of children under age six are in the labor force, compared with 12 percent in 1950.*

Not only are women more likely to be in the labor force, but they are also increasingly likely to be year-round, full-time workers. In 1981, a little over one-quarter of wives worked year-round, full-time, up from 15 percent in 1961. But while retired, ill, disabled, or temporarily laid off, a significant proportion worked part-time simply because they wanted to.

Such trends reflect the changing status of women. In the past 35 years the participation of married women in the labor force has been growing steadily, from 20 percent in 1947 to 51 percent in 1981. Especially rapid has been the increase among younger women, even those with home and childrearing responsibilities. Half of participation rates for wives have been rising since the end of World War II, husbands' rates have decreased, from 93 to 81 percent. Early retirement accounts for at least part of the decline.

Wives, on average, earn only 40 percent as much as their husbands; but 59 percent as much when they are full-time, year-round workers. It is still atypical when the wife is the major contributor to family income. But the number of families relying solely on the husband's earnings has declined dramatically.

As wives have increased their labor force participation, the amount of income they contribute to their families has grown in importance. Among white families, the earnings of wives increased from 12 to 18 percent of family earnings between 1959 and 1978. Among black families, the increase was from 17 to 28 percent.

The earnings of a wife who would not usually work outside the home

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Suzanne M. Bianchi is a demographer with the Census Bureau's Center for Demographic Studies. This article is based on her study of the same title published earlier this year by the Census Bureau.

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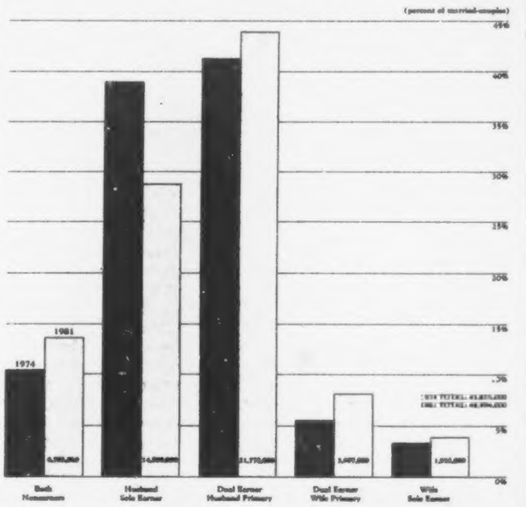
* *See "How Women Have Changed," by Daphne Spain and Suzanne M. Bianchi, American Demographics, May 1983, pp. 18-25.*

Married Couple Households by Earner Type: 1974 and 1981

The proportion of wives who are primary earners has increased.



may become necessary during certain stages in a family's life cycle, such as in establishing a new household, sending children to college, or providing a transition into the retirement years. Influenced by family economic constraints, such a wife's participation in the labor force is often secondary.

For a growing number of couples, however, a wife's earnings are an essential component of a family's well-being for extended periods of time. Even when the wife earns much less than her husband, her contribution may be necessary in order to pay the mortgage and maintain the couple's standard of living. As more women complete college and graduate training, more view labor force participation in the same way that men do—as a lifelong commitment.

Primary Earners

Of the 49 million wives in the U.S. in 1981, 5.9 million, or 12 percent, earned more than their husbands. Of these wives, 1.9 million, or 4 percent, were the only providers for their families. Another 4 million, or 8 percent, had husbands who also were earners, but who earned less than they did.

The proportion of wives who are primary earners has increased. In 1974, a year comparable to 1981 because the U.S. economy was also in a recession, only 4 million wives, or 9 percent, out-earned their husbands. Three percent were married to husbands who had no earnings.

In 1981, the husband's earnings were primary in 21.8 million or 45 percent of all couples. For every dual-earner couple in which the wife was the primary earner in 1981, there were approximately 5.4 couples in which the husband's earnings equaled or surpassed the wife's. In 1974, husbands who were primary earners outnumbered wives who were primary earners by 7 to 1.

In the majority of dual-earner couples, the wife brought home less than half what her husband did in 1981. But wives earned more than their husbands in 16 percent of dual-earner couples, and the same as their husbands in another 2 percent of couples. Six percent or 1.6 million wives earned twice what their husbands earned. Nearly 40 percent of the 4 million wives who are the couple's primary earner fell into this category.

Between 1974 and 1981, the percent of family earnings contributed by the wife increased from 17 to 21 percent as more wives entered the labor force. Among dual-earner couples in which the husband's earnings were primary, wives contributed almost a quarter of family earnings in both years. Primary earner wives provided about 60 percent of their families' earnings.

Perhaps the most dramatic change between 1974 and 1981 was the decline in the number of couples relying on only a husband's earnings. In 1981, 30 percent or 14.5 million U.S.

"As more women complete college and graduate training, more view labor force participation in the same way that men do—as a lifelong commitment."

Education of Wives

Well educated women are more likely to be the primary earner of a couple than less educated women.

(March 1982)

	Husband Sole Earner	Dual Earner, Husband Primary	Dual Earner, Wife Primary
Years of School Completed:			
Less than 12	27.5%	15.5%	14.1%
12	47.3	49.6	44.9
13-15	14.6	17.9	17.5
16	7.9	10.8	13.3
17 or more	2.7	6.3	10.2
Relative Education:			
Husband more	40.9%	36.5%	26.0%
Husband / Wife equal	35.4	38.9	35.9
Wife more	23.7	24.6	38.1

Occupation of Wives

Women who are primary earners are more likely than secondary earners to be professionals and managers.

(March 1982)

	Secondary Earning Wife	Primary Earning Wife
Professional	17.5%	25.0%
Managerial	7.1	11.0
Sales	7.6	4.8
Clerical	35.3	31.7
Craft	1.8	2.2
Operative*	10.9	12.6
Laborer	1.0	1.0
Service**	17.7	10.9
Farm	1.2	0.7

* Includes transport operatives ** Includes private household workers

couples fit the traditional pattern in which the wife concentrates on housework and childcare and the husband on market work. Seven years earlier, 39 percent or 17.9 million couples had fit this pattern.

Only during the last 15 years has the traditional husband-wife family become less common than the multiple-earner family: In 1967, for the first time, husbands were the sole family earner in less than 50 percent of all couples.

Among the Elderly

In 1981, 6.8 million couples, or 14 percent of all couples, had no earnings. Most of these couples were elderly. The husband was retired in 75 percent of the cases, and ill or disabled in an additional 21 percent.

A high proportion of couples in which only the wife had earnings were also elderly. Husbands in these couples had a median age of 62, and their wives a median of 56 years. Although 45 percent of the husbands were retired, and 42 percent were not working because of illness or disability, their wives were still in the paid labor force.

This is a fairly common phase for dual-earner couples. The economic role the wife plays during the husband's early retirement years greatly enhances their financial well-being. As she brings home additional income, the couple can make decisions about how they will spend their retirement years, whether they will relocate, etc. In Social Security and pension benefits, these added years of employment will also be crucial to the economic future of the wife—who will most often survive her husband and spend several years living alone following her husband's death.

Dual-earning couples, like couples in which the husband is the sole earner, are much younger, on average, than the nonearning couples or the couples supported by only the wife. Dual-earner couples are also somewhat younger than traditional couples in which only the husband works for pay. This trend reflects the more rapid increase in labor force participation among younger women in recent years. Median ages are quite similar for the two types of dual-earner couples: Wives' median age was 36 years, while for primary earning husbands it was 39 and for secondary earners it was 40.

Given the relatively old ages of couples who are nonearners or of couples in which only the wife is in the paid labor force, it is not surprising that few have children present. In 1981, 55 percent of wives who were the primary earner had no children in the household, compared with 40 percent of wives who were secondary earners and 43 percent of wives who were not in the paid labor force. Only 20 percent of wives who were primary earners had preschoolers, however, as compared to 26 percent of wives who were secondary earners and 31 percent of wives who were not working for pay.

Superstars

Some of the 4 million wives who earned more than their husbands in 1981 will earn more than their spouses throughout their working lives, but it is difficult to say how many. Given the relatively high levels of unemployment in 1981, data gathered in that year may not represent normal labor force participation and earnings. To the extent that wives are able to increase their labor force participation to compensate for a husband's unemployment, wives' earnings contribution to the family may have been higher than normal in 1981. Estimates of the number of couples in which a wife's earnings exceed her husband's may also be higher during a recession than during an upturn in the economy.

Nevertheless, a reasonable estimate of the number of wives who consistently outearn their husbands can be obtained from the number of wives who earned more than their husbands who were employed full-time throughout 1981. About 1.95 million wives earned more than their husbands who were full-time, year-round workers. This statistic suggests that as many as half of the wives who outperformed their husbands in 1981 might do so on a sustained basis.

Because most women earn less than men, and fewer women than men obtain graduate or professional degrees or secure a high-paying job, wives whose lifetime earnings exceed those of their husbands are truly exceptional.

Primary wage earners are the most highly educated group of married women. Of wives who earned more than their husbands in 1981, 38 percent had also completed more years of schooling. Only one-quarter of wives without earnings or wives whose earnings are secondary to their husband's had more education than their husbands.

Wives who do not work for pay are the least educated married women, in part reflecting the fact that they are older, and grew up before it was so common for women to attend college. Fully 75 percent of nonworking wives in 1981 had not gone beyond high school, compared with 65 percent of secondary earners and 59 percent of primary earners in dual-earner couples. While 13 percent of wives who outearned their husbands had completed four years of college, only 8 percent of nonearning wives, and 11 percent of secondary earners had college degrees. Ten percent of wives who earned more than their husbands had some graduate or professional training, compared with only 3 percent of nonearners and 6 percent of secondary earners.

Of wives who were primary earners, 36 percent were professionals or managers. But if the husband of a primary earning wife was a full-time, year-round worker in 1981, she was even more likely to hold such a high-powered position: 44 percent of these wives were professionals or managers, compared with only one-quarter of wives who were secondary earners. Wives who earn less than their husbands more often are employed in sales, clerical, or service jobs: 61 percent worked in those occupations, as opposed to 47 percent of wives who earned more than their husbands.

Wives who are primary earners have a much stronger attachment to the labor force than wives who are secondary earners. While only 40 percent of wives whose earnings were secondary worked full-time in 1981, 74 percent of wives whose earnings exceeded those of their husbands worked full-time, year-round. More than twice as many secondary earners spent some weeks out of the labor force or unemployed than did primary earners—52 percent versus 22 percent.

Of wives who held part-time jobs during 1981, 64 percent of secondary earners were working part time because they wanted to, while only 40 percent of primary earners voluntarily worked part time. The same proportion of both groups (9 percent) reported that they were working part-time because that was all the work they could find.

Wives who brought home the larger paycheck in a dual-earner marriage worked a median of 2,080 hours in 1981 for a median income of $13,000. Wives whose earnings were secondary to their husbands, however, earned less than half that—a median of $6,300 for 1,560 hours of work. Because primary-earning wives are more firmly attached to the labor force and have higher educational attachment and occupational status, it is not surprising that their earnings are more than twice those of secondary-earning wives.

The implicit wage rate, calculated by dividing mean annual earnings by mean hours worked per year, was $7.55 per hour for primary earners, versus just $5.50 for secondary earners in 1981. If secondary earners had worked as many hours

"Wives whose lifetime earnings exceed those of their husbands are truly exceptional."

per year as primary earners in 1981, about $3,000 of the $7,000 earnings gap between the two groups would have been closed.

Man's Work

Over half of the husbands who were secondary family earners in 1981 worked either part-time or only part of the year. This was true of only about one-fourth of husbands whose wives were not in the paid labor force. Less than one-fifth of husbands who were primary earners in dual-earner couples worked less than full-time throughout 1981.

Secondary-earner husbands were more likely than either the primary or sole male earners to have spent some weeks unemployed or out of the labor force entirely: 49 percent of secondary earners were out of work for some time in 1981, compared to 17 percent of primary earners and 24 percent of sole earners.

The labor force characteristics of husbands who are secondary earners are similar to those of wives who are secondary earners. One important exception is that husbands who are secondary earners in 1981 were much more likely to have sought work and to have been involuntarily underemployed than secondary-earner wives. Among secondary-earner husbands who worked only during part of 1981, 62 percent looked for employment or were on layoff. By contrast, only 30 percent of secondary-earner wives who worked part year looked for work or were on layoff during the year.

Did these husbands who were secondary earners work less than other husbands during 1981 because they were constrained by poor economic conditions, or because they were under less economic pressure given the earnings of their wives? This is a key question because its answer may suggest how family roles are changing. The answer is mixed: Around 30 percent of husbands who were secondary earners worked part-time in 1981 because they wanted to. This figure is more than twice that for husbands who were primary earners in dual-earner couples. Fully 70 percent of secondary earners worked part time for involuntary or partially involuntary reasons, however, suggesting that in some families wives are the primary means of support because the husbands cannot be.

In 1981, husbands who were primary earners in dual-earner couples worked a median of 2,080 hours for a median annual wage of $20,000. Husbands whose wives did not work outside the home earned a median of $19,000 for the same number of hours. Secondary earner husbands, on the other hand, received only a median of $7,000 for 1,920 hours of work.

Husbands' implicit wage rate ranged from $10.76 per hour for sole earners to $5.09 for secondary earners. Male primary earners in

Couples' Characteristics

The earning status of the wife varies by age, income, race and the presence of children.

(March 1982)	*Both Nonearner*	*Wife Sole Earner*	*Husband Sole Earner*	*Dual Earner, Husband Primary*	*Dual Earner, Wife Primary*
Race					
White	13.9%	3.7	30.3	44.4	7.7
Black	14.0%	6.9	22.2	44.4	12.6
Hispanic	9.0%	2.0	38.3	42.8	8.0
Median Age					
Husband	70	62	45	39	40
Wife	67	56	42	36	36
Children					
No children in household	92.3%	79.7%	43.2%	40.2%	55.0%
Preschoolers present	2.7	4.5	30.6	25.7	20.2
Teenagers present	4.8	14.5	23.9	28.5	19.5
Percent with Family Income of:					
Less than $5,000	9.2%	3.7%	3.3%	1.1%	2.2%
$5,000-$9,999	28.9	15.2	8.0	2.8	7.3
$10,000-$14,999	24.4	21.0	13.8	6.5	11.6
$15,000-$19,999	14.6	21.3	13.7	9.7	15.3
$20,000-$24,999	8.1	14.1	14.8	13.2	15.6
$25,000-$34,999	7.6	16.5	21.6	28.2	24.0
$35,000-$49,999	4.5	6.7	13.7	24.6	16.6
$50,000 and over	2.8	1.7	11.1	14.0	7.6
Median Family Income	$11,861	$17,122	$22,800	$30,112	$23,547
Percent in Poverty	15.6%	9.9%	8.9%	2.7%	5.8%
Percent Homeowners	84.9%	81.2%	80.8%	79.4%	71.2%

dual-earner families received an average of $10.24 per hour. Comparing these rates with women's, men who are primary earners make much more than primary-earner women, but women who are secondary earners earn more than secondary-earner husbands.

Primary and sole-earner husbands were much more likely to be full-time, year-round workers in 1981 than were secondary earner husbands. When analysis is restricted to full-time, year-round workers, the median earnings of husbands who were secondary earners ($10,600) were still only about half as much as for primary ($21,000) and sole earner husbands ($22,000).

Husbands in secondary-earner roles may be less pressured to earn high incomes and may be able to spend more time looking for work when they are unemployed than husbands who are primary earners. If husbands trade market work for leisure or nonmarket work as their wives' labor force participation and earnings increase, one would expect husbands whose wives have relatively high earnings to be less attached to the labor force than those whose wives do not work outside the home, work only part time, or work full-time but have low earnings.

But this is not the case. Husbands' annual hours of labor market work do not drop off as wives' earnings increase, nor do the percentage of husbands working part-year or part-time increase. In fact, husbands whose wives have relatively low earnings are the most likely to work only part of the year, and those whose wives are not employed are least likely to look for work if they too are unemployed.

Demographic Differences

In 1981, black couples were more likely than were either white or Hispanic couples to have the wife in a primary earning role—either as sole earner or the higher-earning spouse in a dual-earner couple. In 20 percent of black couples, compared with 11 percent of white couples and 10 percent of Hispanic couples, the wife was the primary earner.

Black couples have also had the largest increase in the proportion with a wife in the primary earner role from 14 to 20 percent for blacks between 1974 and 1981. The six-percentage-point increase for blacks compares with a 3 percentage point gain for whites and no change for Hispanics.

Historically, black wives have had higher rates of labor force participation than white wives, although these differences have narrowed in recent years as white wives have joined the labor force at greater rates than black wives. Black men have faced serious employment barriers and low earnings, so black couples are least likely to fit the traditional pattern in which the husband works for pay while the wife is not employed.

Hispanic couples are most likely to fit the traditional pattern, reflecting their higher fertility and the greater concentration of Hispanic wives in childrearing roles. Among blacks and Hispanics as among whites, however, the most common arrangement today—accounting for over 40 percent of all couples—is the dual-earner couple in which the husband is the primary earner.

Dual-earner couples in which the husband is the primary earner have the highest incomes. In 1981, such families had a median income of $30,112 and only 3 percent were below the poverty level. Next to couples without any earnings, those that rely on only the wife's earnings are the worst off. The median income for such families in 1981 was $17,122, and 10 percent lived in poverty.

Median family income of dual-earning couples with the wife as primary earner ($23,547) was slightly higher than for couples who relied solely on the husband's earnings ($22,800). But 9 percent of couples in which only the husband worked for pay were below the poverty level, as compared with 6 percent of families in which the wife was the primary earner.

Wives who outearn their husbands are better educated, in higher status jobs, and more firmly attached to the labor force than are wives who earn the same as or less than their husbands. But, contrary to the popular image, they are not all high-earning, professionally trained superstars.

If to be a superstar wife means to have a managerial or professional occupation and to earn more than a husband who is employed full-time, year-round, then only about 860,000 wives qualifed as superstars in 1981—enough to make headlines and capture the attention of advertisers, but not nearly enough to change the economy. Superstars comprise only 15 percent of the 6 million wives who earned more than their husbands, and a mere 1.8 percent of all couples. More common (and thus less alluring to the public eye) are the wives who work at a nonprofessional job to provide primary support to their families because their husbands have employment problems.

Marital Strains

Do the superior earnings of a wife put a strain on the marital relationship? Findings have been mixed. If the husband remains unemployed or underemployed for longer than the couple expects, and the wife's earnings are inadequate to support the family, or if both expect the husband to be the primary breadwinner but he does not fill that role, problems may well occur. On the other hand, if husbands and wives have chosen similar occupations, received the same amount of education, and have no strong preferences about which one should earn more, there is no particular reason to believe those marriages in which the wife earns more will be less stable.

Many couples are successful in adjusting to the wife as primary earner, although there are as yet no statistics that measure this relatively new type of arrangement. As women continue to gain in education and employment, and their wages catch up to men's, wives may someday be nearly as likely as husbands to earn the highest income of the two. That will surely change how we think of the American family. ▪

MARKETS / *Bickley Townsend*

WORKING WOMEN

A PROFILE OF UPSCALE WORKING WOMEN*

	upscale women	all working women
Age:		
21-24	11%	16%
25-34	26	32
35-44	32	26
45-54	15	15
55+	16	11
Median age	38 yrs.	36 yrs.
Education:		
No college	22%	49%
Some college	17	21
College graduate	61	30
Occupation:		
Professional/managerial	73%	42%
Other	27	58
Length of work day:		
Less than 8 hours	13	18
8-9 hours	27	40
More than 9 hours	61	41
Median	9.3 hrs.	8.7 hrs.

* Women with $25,000+ personal income

Marriage and motherhood no longer hold center stage in the daily lives of working women. A single statistic tells why: these women spend a median of 8.7 hours a day at work or commuting to work, according to a 1984 study of working women by *Newsweek* magazine.* Thirty-six million American women work full-time outside the home, half of all women 18 to 64 years old. Now that most women, like most men, have a workday that engulfs more than half their waking hours, family life and consumer behavior have irrevocably changed. Those eight-plus hours spent every day at the workplace are hours that women no longer have for waiting in doctors' offices or serving as den mothers, not to mention going after the dustballs under the sofa and the grout around the bathroom tiles.

While they put in long hours at work, women also continue to handle most of the family responsibilities. Only one-third have hired domestic help, according to the *Newsweek* survey. Even for this fortunate group, the share of household work performed by outside helpers averages only 40 percent.

Nor do husbands help much. In *Newsweek's* survey 71 percent of married women reported doing at least three-quarters of the housework. Only 14 percent of husbands in two-earner families perform as much as half the housework, and 60 percent do less than one-quarter.

It's no wonder that working women have fewer children than women who are not in the labor force, or that two-earner couples dine out more often than single-earner couples. If Kinder and Kuche have not disappeared entirely, it is only because of child-care centers, Chinese carry-out and Cuisinarts. Working women are fueling the boom in catalog shopping, microwave ovens, automatic teller machines, and other goods and services that will conserve their most precious resource—free time.

It's not surprising, either, that working women have problems balancing work and home responsibilities. Nearly half of those polled by *Newsweek* reported difficulty in keeping up with housework, and more than one-third felt guilty about work left undone. Half felt they had too little time for themselves.

For many working women, consumer products help them juggle their work and family roles. Three-quarters of *Newsweek's* respondents own a frost-free refrigerator, 54 percent have a dishwasher, and 40 percent use microwaves and self-cleaning ovens. Close behind are food processors and home exercise equipment, each owned by about one-third (31 percent), according to the *Newsweek* survey.

Working women want even more in the way of convenience. On their wish list are home computers (wanted by 42 percent), VCRs (33 percent), and microwave ovens (32 percent).

THE GENDER TRAP

Although most high-income women are professionals and managers, according to the *Newsweek* study most professional women do not earn even $25,000 a year. And while 61 percent of high-income women are college graduates, 81 percent of the college graduates in the study are not in the high-income category. The reason for these low incomes may be that fully half of women professionals are concentrated in two poorly paying professions: teaching and nursing. The less traditional a woman's occupation, the more likely she is to earn a high income.

Even though women's earnings are low, their money is becoming an increasingly important component of total household income. Even for married women, whose earnings are likely to fall well below their husbands', it is often the woman's income that makes the difference between middle-income status and poverty—or that catapults the family into affluence.

On average, working wives contribute a little over a quarter of total family earnings, according to Fabian Linden, director of the Conference Board's Consumer Research Center.

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* *The study was commissioned by* Newsweek *magazine and conducted by Mathematica Policy Research. Interviews were conducted with a nationally representative sample of 713 women between the ages of 21 and 65 who have regular employment outside the home at least 25 hours weekly.*

But one out of three contributes between 30 and 50 percent, and one in eight earns at least half of her family's total income.

The incidence of working wives rises with family income. Less than one-third of wives are employed in married-couples with annual incomes of $10,000 to $15,000. But in the $30,000 to $35,000 bracket, the proportion is over 60 percent, and in the $40,000 to $50,000 range it exceeds 70 percent. In *The Working Woman: A Progress Report*, Linden comments, "An impressive three-fifths of total family income is presently accounted for by households where the wife is employed. These households have become the single most important segment of the nation's market."

THE TEN PERCENT SOLUTION

According to *Newsweek's* survey, the majority of working women—56 percent—earn less than $15,000. One third earn between $15,000 and $24,999, and a mere ten percent make $25,000 or more.

Women who earn $25,000 or more are an elite group and an important consumer market because they have more money to spend. Compared to all working women, this upscale group is twice as likely to have a college education and almost twice as likely to be in professional or managerial occupations. Their median age is 38—the age of the leading edge of the baby boom—suggesting that upscale women will be a rapidly growing market for the next decade.

High-income women spend money more freely than women who earn less. More than half hold personal checking and savings accounts. Compared to working women in general, upscale women are twice as likely to have their own IRA or Keogh funds (45 percent versus 23 percent), money market accounts (31 versus 13 percent) and stocks or bonds in their own name (39 percent versus 16 percent).

Married high-income women, in particular, enjoy far more discretionary income than their lower-paid counterparts. Eighty percent of the upscale women would spend $100 on something they really wanted without asking their husbands. In contrast, only half of married women earning less than $15,000 would do so. Almost 60 percent of high-income women would spend $250 without consulting their spouse, compared with fewer than one-third of lower-income women.

Upscale women workers spend an average of $1,000 per year on fashion—double the average for all working women. High income women are more likely to wear business suits and dresses to work than those with lower incomes, while slacks are worn more frequently to work by women with lower incomes.

PASSING THE TORCH

The trend toward later marriage and the increasing prevalence of divorce make it necessary for women today to be able to earn their own living.

The *Newsweek* survey found that the younger the woman, the more likely she is to prefer work in which she can advance, rather than opting for a low-pressure job. Younger women have higher career expectations in part because they are better educated than their older counterparts. Thirty-eight percent of working women aged 21 to 24 are college graduates, compared with only 19 percent of women aged 55 and older.

Young working women may have low incomes right now, but they have high expectations, and they want to advance in their work. As the torch is passed to this new generation, marketers should be ready to help it achieve its goals. •

DEMO MEMO

Among workers aged 45 and older, 38 percent of men and 16 percent of women have been with their current employer for more than 20 years.

"One American Worker in Ten Has Been with the Same Employer More than 20 Years," Bureau of Labor Statistics, 1984

Matters of note about demographics

OPENERS

CLOSING THE GAP

Working women earned 64 percent of the wages of working men in 1983, up from 60 percent in 1980. That is the largest wage gain women have made relative to men in this century. According to a Rand Corporation study, women's wages relative to men's will continue to climb, reaching at least 74 percent by the year 2000, as the female work force becomes better educated and gains in job experience.

Between 1940 and 1970, most of the women entering the labor force did not have even a high school diploma. Though large numbers of women went to work during those years, their average wages relative to men's remained at 60 percent because they were so poorly educated. Since 1970, most of the women entering the work force have been high school graduates. As a result, the wage gap began to narrow.

Wage gains have been most dramatic for younger women—the leading edge of the baby-boom generation. Women aged 25 to 34 averaged 65 percent of men's hourly wages in 1972 and 69 percent in 1980. By 1983, average hourly wages for women in this age group were 73 percent of men's.

Though some of the relative gains in women's wages have been due to the falling real wage of men since 1980, the Rand researchers found that most of the declining wage gap was due to the increased labor force participation of college-educated women. And the most important factor drawing college-educated women into the labor market has been increasing wages. As real wages rise in the future, the number of women seeking work at the higher wages will increase.

One reason that the wage gap has not narrowed even more is that women's years of work experience have remained stable since 1950. Working women aged 40 in 1950 had worked an average of 14 years. Their counterparts in 1980 had also worked an average of 14 years. The Rand researchers project, however, that women's average work experience will increase in the coming years, contributing to a further closing of the wage gap.

One factor that is working against the narrowing of the wage gap is the average number of hours women work per week. Despite the increasing proportion of women in the labor force, the average number of hours that women work per week has remained stable, largely because of the increase in part-time workers. "The average working woman still works under half the number of hours of the average working man," say the researchers.

The study, *Women's Wages and Work in the Twentieth Century*, by James P. Smith and Michael P. Ward is available from the Rand Corporation in Santa Monica, California.

NOT AS FAR AS YOU THOUGHT

Women have come a long way in the past few years, but much of their time has been spent regaining ground they lost to men years ago. In 1947-48, more than one in ten medical degrees were awarded to women. Ten years later, women chose to deliver babies personally rather than professionally, and only 1 in 20 medical degrees went to women. It was not until the mid-1970s that women's share of medical degrees again equalled that in 1947-48. By 1982-83, women were earning 27 percent of degrees in medicine.

The statistics show the same pattern of decline before growth in other professional fields. Women earned 2.3 percent of degrees in dentistry in 1947-48, a proportion that fell to 0.4 percent in 1963-64 before rising to its current level of 21 percent in 1983-84. In veterinary medicine, women's share was 5.4 percent in the late 1940s, fell to 1.2 percent in 1953-54 and is fully 41 percent today. In pharmacy, women earned 21 percent of degrees in 1947-48, but less than 10 percent by the early 1950s. The 1940s' figure was not surpassed until the early 1970s, but today women earn fully 49 percent of degrees in pharmacy.

This history lesson and other statistics on the educational levels of women and minorities are available for $70.00 in *Professional Women and Minorities, a Manpower Data Resource Service*, by Betty M. Vetter and Eleanor L. Babco, Scientific Manpower Commission, 1776 Massachusetts Avenue, N.W., Washington, DC 20036.

THIS IS REVOLUTIONARY

Fifty-one percent of women with children younger than age 3 were working in 1986, up from 34 percent just since 1975, according to the Bureau of Labor Statistics. Fully 66 percent of these mothers work full-time. No wonder the political issues of parental leave and day care are heating up.

"Mothers of infants and toddlers continued to be one of the most rapidly growing segments of the labor force," says the bureau. Though the number of children under 18 in the U.S. population has fallen by 1.2 million since 1980, the number of children with working mothers has increased by 2.5 million. Children under age 6 accounted for 90 percent of this increase.

Among the nation's 33 million women with children under 18, 63 percent work and 72 percent of these mothers work full-time.

More information on working mothers, their children and families is included in the *Bureau of Labor Statistics News*, USDL 86-345.

WELFARE MOTHERS

Affordable day care is the key to getting more women off of welfare and into the labor force.

Many young, unmarried mothers can't afford day care. As a result, they don't work and must depend on welfare to support their families.

According to a report by David E. Bloom of Harvard University and Martin O'Connell of the Census Bureau, "the lack of affordable child care is probably preventing many poorly educated and low-income mothers from working at all, when they are the women who need jobs the most." Furthermore, "considerably more mothers of young children would work if they had access to reasonably priced child care. This is especially true for unmarried women, black women, women who never finished high school, and for women from low-income families."

Today, 53 million working women in the U.S. account for 44 percent of the civilian labor force. Fifty-four percent of women with children under age 6 are working, as are 48 percent of women with children younger than 1 year.

If affordable day care were available, the authors say, the share of mothers with children under age 1 who work would climb from 48 percent to 62 percent.

If you doubt that more affordable day care would put more women to work, take a look at Sweden, which has perhaps the world's most advanced national system of child care. Sweden also has the world's highest female labor force participation rate, the authors note.

Juggling Jobs and Babies: America's Child Care Challenge 1987, by Martin O'Connell and David E. Bloom, is published by the Population Reference Bureau, Inc. Copies are available from PRB, P.O. Box 96152, Washington, DC 20090.

WOMEN AND WORK

by David E. Bloom

During the past 30 years, women have dramatically changed the American labor force. By 1986, nearly 52 million women were working, about 200 percent more than at the end of World War II. In contrast, the number of men in the labor force increased by only 50 percent. The rise in the number of working women is probably the single most important change that has ever taken place in the American labor market. In the next two decades, the workplace will have to adjust.

Between 1948 and 1985, women's share of the labor force grew from 29 to 45 percent as women's labor force participation rate jumped from 33 to 55 percent. Although the labor force participation rate for women is still below that for men, the rate for men has been declining—it was 87 percent in 1948 and 77 percent in 1985—suggesting a long-term convergence in the participation rates for men and women.

The rising labor force participation rates for women are the result of a complex set of factors. First, many of the women who took jobs in record numbers to ease labor shortages during World War II—especially married women wanting no more children—remained on the job. These women contributed importantly to the increasing social acceptability of the working woman.

A second critical factor was the

David Bloom is an associate professor of economics at Harvard University and a contributing editor of American Demographics.

widespread use in the early 1960s of the contraceptive pill. Effective contraception freed women from childbearing and gave them (and their husbands) the opportunity and the responsibility of deciding whether and when to have children. This new-found freedom led many women to postpone childbearing and to continue their educations. With marriage rates declining and divorce rates increasing, many women realized that they needed economic independence.

A third factor pushing women into the workplace was the economic problems faced by the baby boomers when they went to work, including their relatively low wages and high unemployment rates. Having two incomes, especially during a period of sharply rising prices, became especially important to ensure a middle-class standard of living.

Not all types of women went to work in equal proportions. The labor force participation rates of married women with no children at home rose from 30 to 48 percent between 1950 and 1985, while married women with children aged 6 to 17 more than doubled their participation, from 28 to 68 percent. But these increases pale in comparison to the more than quadrupling of the labor force participation rates of married women with children younger than age 6; their rates increased from 12 percent in 1950 to 54 percent in 1985, rising above the rates for married women with no children. This is because those without children at home are, on average, older than those with children in the home.

Not only have the numbers of women in the labor force increased, so have the types of jobs they are doing. Women were 33 percent of all goods-producing employees in 1986, up from 23 percent in 1966. Because the importance of the manufacturing sector of the economy is declining, however, these women comprise only 16 percent of all working women today, down from 24 percent in 1966. The remaining 84 percent of employed women work in the service sector. In fact, women are now 51 percent of all service-producing employees, up from 41 percent in 1966.*

The growth of the service sector has been good for working women because service employment schedules are often more flexible than those in goods-producing industries. In the early 1950s, only one-fourth of employed women worked fewer than 35 hours a week. Today, one-third work fewer than 35 hours a week. Among the women who work more than 35 hours a week, however, the proportion who work 50 to 52 weeks a year has increased from 38 percent in the early 1950s to 48 percent in 1986.

The occupations of working women have also been changing, although there is still a lot of occupational segregation. The occupations most heavily dominated by women are schoolteachers (74 percent women in 1986), retail salesworkers (69 percent), librarians (87 percent), nurses (96 percent), and secretaries (99 percent). In contrast, occupations with relatively low proportions of women are firefighters (1 percent), construction workers (2 percent), mechanics (3 percent), police officers (6 percent), and engineers (6 percent).

Despite the persistence of occupational segregation, women's representation in a number of occupations is growing rapidly, including lawyers (20 percent today, up from 5 percent in 1970), doctors (18 percent, up from 10 percent in 1970), architects (8 percent, up from 4 percent in 1970), computer scientists (28 percent, up from 14 percent in 1970), and college and university teachers (37 percent, up from 29 percent in 1970). In the past ten years, women's share of full-time members of medical school faculties increased from 12 to 17 percent.

Beginning in February 1986, women workers became a majority of professional employees in the U.S. To some extent this reflects the resurgence of schoolteacher hiring as the children of the baby boom go to school. But it also reflects the growing number of women entering traditionally male-dominated occupations.

One trend these statistics don't reveal, because they cover only salaried employees, is the growing number of women entrepreneurs. In 1960, women started only one in ten new businesses, but by 1985, this figure had risen to one in three. By 1995, it will be one in two. A variety of factors underlie this trend, including the growing number of two-paycheck families in which capital for starting

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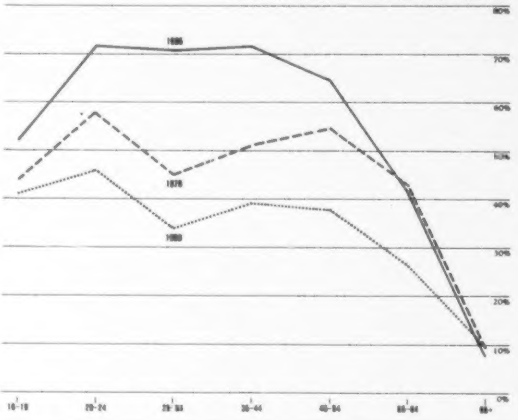
* *The goods-producing industries are mining, construction, and manufacturing. The service-producing industries are transportation and public utilities; wholesale and retail trade, finance, insurance, and real estate; government; and services (e.g., auto repair, laundromats, recreation facilities, law firms, beauty shops, etc.).*

IN 1960, WOMEN STARTED ONLY ONE IN TEN NEW BUSINESSES.
BY 1995, IT WILL BE ONE IN TWO.

GOING TO WORK

Women's labor force participation has increased enormously since 1950, particularly among women aged 25 to 34

(labor force participation rates of women by age, 1950, 1970, and 1985)



Source: Bureau of Labor Statistics

a business is more readily available and the establishment of federal equal credit laws that have made it easier for women to borrow money. Some women entrepreneurs report that they started their own business to escape on-the-job discrimination while many others say they started their own business so they could have more flexible schedules, making child care easier.

In 1965, only 20 percent of adult women had at least some college education; in 1986, 42 percent do. The subjects women are studying in school are also changing. In 1970, women received just 10 percent of the degrees awarded by the nation's business schools, far below the 40 percent share they receive now. The number of women entering medical school increased more than fivefold, from 948 in 1969 (9 percent of all first-year medical students) to 5,515 in 1985 (34 percent). In general, only 1 in 20 students enrolled in a professional school in 1962 was a woman; one in three is now. "Old-girl" networks are forming among women today that may have a significant impact on business decision-making tomorrow.

One other fact about working women that deserves attention is their representation among executives and managers. While 45 percent of American workers are women, 36 percent of executives, administrators, and managers are women. Only 5 to 10 percent of top executive positions are held by women, and only one Fortune 500 company has a woman chief executive officer—Katharine Graham of the Washington Post Company. Women are underrepresented in management, and unrepresented at the top. But the proportion of managers who are women has been climbing. In 1972 it was only 27 percent. In 1979, it was 32 percent; by March 1986, it had reached 36 percent.

THE EARNINGS GAP

The ratio of the median annual earnings of full-time female workers to full-time male workers has been remarkably stable over time. It was 0.61 in 1960, 0.59 in 1970, and 0.60 in 1980. There is, however, some evidence that the pattern is beginning to change. By 1984, the ratio was 0.64.* Many labor economists expect this rise to continue, with the ratio reaching 0.8 by the turn of the century.

The growing number of working women has important implications for family income. In 1981, the earnings of women working part-time represented about 25 percent of their families' total incomes; for women working full-time it was nearly 40 percent. Twenty-six percent of families with two earners had upper-class incomes in 1983, com-

** This ratio hovered between 0.61 and 0.64 during most of the late 1950s, before it fell as low as 0.57 in 1973.*

pared with just 8 percent of one-earner families.* In 1969, only 14 percent of families with two earners were in the upper class, suggesting that the number of earners in a family is now a more important determinant of income class than it used to be. The growing importance of the second earner is undoubtedly due to the increased educational attainment and labor force commitment of the second earners--most of whom are women. In 18 percent of dual-earner married couples, however, the husband is the second earner while the wife is the primary breadwinner.

AFTER WORK

Thirty years ago, the typical woman graduated from high school, married, had children, and stayed home with her family. Some women worked, most out of economic necessity. The career woman was a rarity.

Today, characterizing the life of a typical woman is much more difficult. Some women continue to follow the pattern of the 1950s. But a growing number are going to college or graduate school, delaying marriage and childbearing, and embarking on careers. Some of the women who do marry and have children continue to work part-time. Others try to raise a family while working full-time. Most of these women depend on child-care services and other hired help. Few women leave their jobs and careers permanently, or even for more than a few years, to raise a family.

Because they are involved in careers and mothering, many women lead exhausting lives. About one-third of working women ease their burden by hiring domestic help. The problems of combining work and family are made worse because there are no role models to follow. Working mothers today are pioneering the answers to new questions—they can't ask their mothers and grandmothers for advice.

In 1959, women aged 25 to 64 spent, on average, 572 hours a year working for pay, 1,423 hours doing housework, and 266 hours taking care of children. Work at home plus work away from home occupied 2,261 hours (or 43.5 hours per week). In 1983, after nearly a quarter-century of rising labor force participation, the average woman aged 25 to 64 spent 929 hours a year working for pay, 1,252 hours doing housework, and 76 hours taking care of children. Work at home and work away from home took 2,383 hours a year by 1983 (or 45.8 hours per week). Women worked more in 1983 than in 1959, at the expense of their leisure time—women have 20 minutes less leisure per day than they did a quarter century ago.*

Because leisure is a scarce resource for working women, they stretch it with time-saving appliances such as microwave ovens, frost-free refrigerators, food processors, and dishwashers, and by eating out, shopping by catalog, and hiring domestic help. Working women also demand goods and services that help them organize their time, such as VCRs, 24-hour shopping, and automated banking.

THE POLICY RESPONSE

Many employers are beginning to experiment with policies that make it easier for people to work and have a satisfying family life. One option is flexible scheduling, which includes flextime and block scheduling. Flextime allows an employee to begin work within specified limits in the morning (e.g., 7 a.m. to 11 a.m.) and to leave work within specified limits in the afternoon or evening (e.g., 2 p.m. to 9 p.m.). Block scheduling allows an employee to work a regular number of hours per week, but to do it in three or four days instead of five. An estimated 12 percent of all full-time workers were on flexible work schedules in the early 1980s (almost 8 million employees), up from less than 5 percent in 1974.

The most important experiment to date with flexible scheduling was conducted by the federal government, which established alternative work schedules for 325,000 employees for three years in the late 1970s. Ninety-three percent of the employees said that the ability to determine their own schedules was "somewhat important" to "very important;" 83 percent of single parents said it was "very important."

Some employers offer their employees help with child care. Between 1978 and 1986, the number of employers providing child-care benefits increased from under 50 to about 2,000. Despite this large increase,

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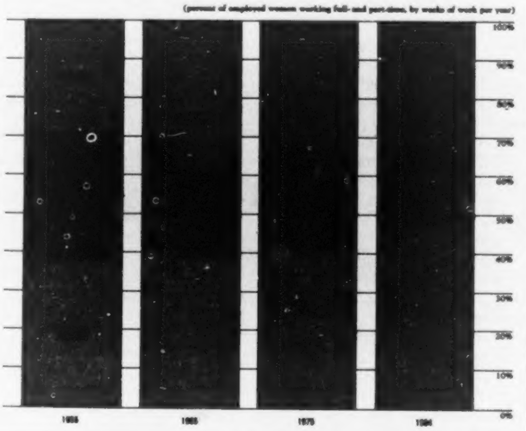
* *An upper-class family is defined as one whose total income is greater than 225 percent of median family income. See "What is Happening to the Middle Class?"* American Demographics, *January 1985.*

* *These figures are taken from an article by Victor R. Fuchs, "Sex Differences in Economic Well-Being,"* Science, *April 25, 1986, Vol. 232, pp. 459–464.*

COMMITTED TO CAREERS

A larger proportion of working women work part-time today than in 1955, but nearly half of working women now work year-round, full-time, up from 38 percent three decades ago.



Source: Handbook of Labor Statistics, June 1985; Monthly Labor Review, February 1986

child-care help is provided by relatively few of the nation's employers (there are about 6 million employers in the United States, with nearly 44,000 companies employing 100 or more workers).

The biggest reason that more companies don't offer help with child care is that employers see it as an expensive benefit that will be used by only a fraction of their workforce. In addition, child care at the workplace may not be the best alternative to employees, and to the extent that offering child care services encourages childbearing, it may not be particularly desirable from the employers' point of view. For medium-sized and small companies, it may be difficult to run a child-care service because of year-to-year fluctuations in the need for it. Nonetheless, most firms providing or paying for child care report reduced rates of tardiness, absenteeism, and turnover among their employees, and improved employee satisfaction and productivity.

In all likelihood, the growth of child care as an employee fringe benefit will be part and parcel of the growing use of flexible fringe-benefit plans. Now that Congress and the IRS have resolved most issues involving the tax status of flexible benefit plans, which stalled their growth for about a decade, a major increase in flexible benefits and a concomitant surge in child care as a benefit could occur.

A third set of policies that can make child care easier for working women involves employee leaves. Currently, most medium and large firms provide some form of maternity leave, although few provide paternity leave. There is a lot of variation regarding whether leaves are paid or unpaid, whether fringe benefits continue while employees are away from work, and whether employees get their old job back, or get a comparable one, when they return to work.

Public policymakers are showing more interest in making life easier for working parents. In 1976, the federal tax code was amended to permit working parents with a dependent child to take a tax credit of up to $400 for child-care expenses. Currently, the tax code allows a tax credit of 20 to 30 percent of child-care expenses. Such tax relief is important given the enormous expense of child care. In-home child care, for example, costs families an average of $250 a week, making it one of the largest household budget items, comparable to housing and taxes. Twenty-two percent of married women currently not looking for work say that they would work if adequate child care were available.

Despite the federal government's unimpressive record to date, future federal initiative in these areas is likely. A bill was introduced in the House of Representatives in early 1986 that would guarantee parents

AS WOMEN ENTER THE UPPER ECHELONS. THEY WILL ADD DIVERSITY TO AMERICAN MANAGEMENT.

18 weeks of unpaid leave to care for a new child.

Local governments, too, are starting to get involved. An ordinance passed by the city of San Francisco in October 1985 requires downtown office building developers to either include space for child-care facilities in their buildings or to contribute $1 per square foot of office space to a city fund allocated for constructing inner-city child-care facilities. In Massachusetts, an experimental program provides low-interest loans of up to $250,000 to companies that establish their own child-care centers. Two states (New York and California) actively sponsor child-care programs for state workers, and four states (Arizona, California, Connecticut, and Florida) provide tax benefits to employers that offer child-care assistance.

SWEDEN'S EXAMPLE

The demographics of labor force growth will ensure that the labor market will make way for working women in the next few decades. For the past 20 years, the American labor force grew at a phenomenal pace of 2 percent a year, fueled by the increasing number of working women and the entry of the baby boom into the labor force. The labor force will grow much more slowly in the future. The participation rates of women will probably continue to rise, perhaps reaching 58 to 60 percent by the end of the century, but the rapid increase in the number of working women has run its course. In addition, the small baby-bust generation is now entering the work force. Coupled with continued early retirement, these trends mean that labor force growth may be less than 0.75 percent a year over the next 20 years.

In many cities (such as New York and Boston), the labor market is already tightening, as indicated by the increased number of "help wanted" signs in store windows and the growing number of unskilled jobs that pay more than the minimum wage. This tightening will pressure employers to raise wages. The passage of comparable-worth legislation will further promote a rise in women's relative earnings.

Tight labor markets will give employers an incentive to adopt labor practices that make it easier for parents to combine work and family. Sweden has already faced what the U.S. is facing now, and U.S. employers can learn much from the Swedish experience. Since the end of World War II, Sweden has had chronic labor shortages. It has responded to them by encouraging women to participate in the labor force, embarking on a large-scale effort to ease women's child-care responsibilities through a network of government-supported day-care centers. The government has also legislated a variety of other financial incentives and legal guarantees designed to make it easier for women to work and have children. These policies provide for up to nine months of maternity or paternity leave (at 90 percent of full pay) with a guaranteed job on returning to work, as well as a guarantee that a parent can receive full-time pay for working just six-hour days until a child's eighth birthday. Although marriage and birthrates in Sweden remain low, the labor force participation rate for women has reached 66 percent, the highest rate among the industrialized economies.

Businesses owned or managed by women are more likely than those owned or operated by men to adopt innovative personnel policies, especially policies important to women. As women increase their representation in higher levels of American business, and as old-girl networks assume greater importance in organizational power structures, the lingering sexism that makes it difficult for parents to combine careers and families will subside.

Some industrial psychologists report that women have different management styles; they are more participatory, nurturant, and maternal—characteristics commonly associated with the Japanese style of management. Currently, the upper echelons of American companies are so heavily dominated by men that it may be difficult for women to express their own management styles. But as women enter the upper echelons, they will add diversity to American management, a diversity that can only benefit American business.

Overall, we can expect the increased entry of women into the labor force to change the American labor system forever. Some women will be turned off by the stress and the routine of work and by the dual demands of work and family. But these women will be the minority. As jobs become more attractive because of rising wages and innovative personnel practices, the gap between the labor force participation rates of men and women will continue to shrink. ●

CLOSE UP / Thomas G. Exter

MAJOR METROPOLITAN MARKETS

METROPOLITAN SCORECARD (population and households, in thousands)

	population			households		
major metropolitan areas	*1980*	*1984**	*percent change*	*1980*	*1984**	*percent change*
NORTHEAST AND MIDWEST						
Boston	3,972	4,008	0.9%	1,397	1,438	2.9%
New York	8,275	8,050	-2.7	3,198	3,162	-1.1
Nassau-Suffolk	2,606	2,625	0.7	809	829	2.5
Philadelphia	4,717	4,759	0.9	1,639	1,679	2.4
Pittsburgh	2,219	2,194	-1.1	813	820	0.9
Detroit	4,488	4,342	-3.3	1,552	1,519	-2.1
Chicago	6,060	6,043	-0.3	2,150	2,189	1.8
Minneapolis-St. Paul	2,137	2,232	4.4	770	816	6.0
Subtotal	34,474	34,253	-0.6	12,329	12,452	1.0
SOUTH AND WEST						
Baltimore	2,200	2,260	2.7%	757	803	6.1%
Washington	3,232	3,378	4.5	1,113	1,233	10.8
Atlanta	2,138	2,338	9.4	720	842	17.0
Dallas	1,957	2,182	11.5	711	808	13.6
Houston	2,736	3,284	20.0	973	1,187	22.0
Los Angeles-Long Beach	7,478	7,868	5.2	2,730	2,919	6.9
Anaheim-Santa Ana	1,933	2,047	5.9	686	737	7.4
San Diego	1,862	2,018	8.4	670	742	10.7
Subtotal	23,536	25,375	7.8	8,361	9,271	10.9
16 METRO TOTAL	58,010	59,628	2.8	20,690	21,723	5.0

*1984 estimates from Donnelley Marketing Information Services, Inc.
Note: All areas except Boston are either PMSAs or MSAs. Boston is represented by the combined PMSAs of Boston, Brockton, Lawrence-Haverhill, Lowell, Nashua, and Salem-Gloucester.

The 1980s may be a good decade for the nation's largest metropolitan areas, even in the North. The large northeastern and midwestern metropolitan areas, those with populations of 2 million or more, have recovered from their malaise of the 1970s. Though they were hurt by declines in manufacturing employment, the service sector has come to their aid. Because of the rise in service-sector jobs, growth patterns in the large metropolitan areas of the Northeast and Midwest are no longer so different from those in the South and West.

Eight of the 16 metropolitan markets with populations of 2 million or more are in the Midwest and Northeast: Boston, Chicago, Detroit, Minneapolis-St. Paul, Nassau-Suffolk, New York, Pittsburgh, and Philadelphia. Six of these lost population during the 1970s (Minneapolis-St. Paul and Nassau-Suffolk grew), but in the 1980s, according to Donnelley Marketing Information Services's estimates for 1984, only one area—Detroit—has been losing population at a faster rate. Boston and Philadelphia each grew by 0.9 percent between 1980 and 1984, reversing their decline in the 1970s. Nassau-Suffolk grew by 0.7 percent, and Minneapolis-St. Paul by 4.4 percent. Chicago has lost 0.3 percent of its population since 1980, Pittsburgh 1.1 percent, New York 2.7 percent, and Detroit 3.3 percent.

Eight other metropolitan markets with populations of 2 million or more are in the South and West: Baltimore, Washington, Atlanta, Dallas, Houston, Los Angeles-Long Beach, Anaheim-Santa Ana, and San Diego. All of these metropolitan areas gained population between 1970 and 1980, and all continue to grow in the 1980s. Only two of them are growing more slowly in the 1980s than they did in the 1970s—Anaheim-Santa Ana and San Diego. Between 1980 and 1984 Baltimore grew by 2.7 percent, Washington by 4.5 percent, Atlanta 9.4 percent, Dallas 11.5 percent, Los Angeles-Long Beach 5.2 percent, Anaheim-Santa Ana 5.9 percent, San Diego 8.4 percent, and Houston by fully 20 percent.

THE HOUSEHOLD MARKET

National household growth has slowed considerably since 1970, falling from a 2.7 percent annual rate of increase in the 1970s to 1.4 percent in the 1980s. Household growth in metropolitan areas as a whole fell from 2.6 percent to 0.8 percent. But households in the nation's largest metropolitan areas have been growing at a faster rate than all metropolitan households. Twenty-two percent of the nation's gain in households between 1980 and 1984 has occurred in the 16 largest metropolitan areas.

According to estimates by Donnelley Marketing, households in the major metropolitan markets have been growing by 1.2 percent a year since 1980. Among the 16 areas, only Detroit and New York have lost households.

The number of households in the eight major metropolitan markets of the Midwest and Northeast increased from 12.3 million to 12.5 million between 1980 and 1984, an annual growth rate of 1.0 percent—equal to their growth in the 1970s. Minneapolis's households were up by 6 percent, and Boston's by 3 percent.

In the South and West, the major metropolitan markets have experienced slower household growth since 1980. During the 1970s households grew at just over 3 percent a year. Between 1980 and 1984, the annual rate of household growth dipped to 2.7 percent. Households in these eight areas grew from 8.4 million in 1980 to 9.3 million in 1984. Houston led the southern and western metropolitan markets in household growth with a 22 percent gain since 1980. Baltimore, Los Angeles-Long Beach, and Anaheim-Santa Ana had the slowest rates of household growth, barely above Minneapolis's 6 percent. Only in Dallas were households growing faster in the 1980s than in the 1970s.

SERVICES GROW

Population trends in metropolitan markets reflect shifts in jobs and industries. In 1970 Chicago was the leading metropolitan area in manufacturing employment with 938,000 workers, followed by New York with 856,000 and Los Angeles-Long Beach with 803,000. By 1980, Los Angeles-Long Beach had surpassed Chicago. As Chicago slipped to second place, New York fell to a more distant third.

During the 1970s, many of the major metropolitan areas in the South and West gained manufacturing jobs while those in the North lost them. Since 1980, according to the Bureau of Labor Statistics, all 16 metropolitan areas have been losing manufacturing jobs. Of the 610,500 manufacturing jobs lost in the 16 largest metropolitan markets since 1980, 77 percent have been lost in the Midwest and Northeast and 23 percent have been lost in the South and West. Pittsburgh's manufacturing jobs fell by more than 30 percent between 1980 and 1983, the largest share lost by any major metropolitan area. But Houston, despite its reputation as the city of opportunity, lost fully 17 percent of its manufacturing jobs between 1980 and 1983.

The loss of manufacturing jobs has been more than offset in most of these metropolitan areas by gains in service-sector jobs. This growth is providing a more even geographic distribution of population, employment, and marketing opportunities.

The eight major metropolitan markets in the Northeast and Midwest have captured fully 53 percent of the new service-industry jobs created since 1980 in the 16 major metropolitan areas, a reversal from the 1970s when the Northeast and Midwest captured only 46 percent of the service jobs. Employment in the service industries, which include health and medical services, data processing and other business services, architectural and engineering services, education, restaurants and hotels, and a variety of personal services, increased at more than 3 percent per year in all 16 major metropolitan areas during the 1970s. Since 1980, service employment in 13 of the metropolitan areas has slowed. Only in Chicago and New York is the rate of increase greater in the 1980s, while Nassau-Suffolk's rate of increase remained the same.

The eight metropolitan markets in the Midwest and Northeast, as a group, lost 469,000 manufacturing jobs since 1980, but gained 338,000 service industry jobs. Boston, New York, Nassau-Suffolk, and Minneapolis-St. Paul gained more service jobs than the manufacturing jobs they lost. The eight metropolitan markets in the South and West as a group lost 141,700 manufacturing jobs since 1980, but gained 295,900 service-industry jobs. All but Houston and Los Angeles-Long Beach gained more in service-industry jobs than they lost in manufacturing jobs.

The metropolitan area with the greatest number of service-industry jobs today is New York, followed by Los Angeles-Long Beach and Chicago. Boston, Philadelphia, and Washington are fourth, fifth, and sixth in service-industry employment. In absolute growth, New York has been the leader in service-industry jobs since 1980, followed by Chicago, Dallas, Washington, Los Angeles-Long Beach, Philadelphia, and Boston, all of which gained more than 50,000 service jobs between 1980 and 1983.

With this kind of growth in

JOB GAINS AND LOSSES

(employment in thousands)

	services			manufacturing		
major metropolitan areas	*1980*	*1983*	*percent change*	*1980*	*1983*	*percent change*
NORTHEAST AND MIDWEST						
Boston	460.8	510.8	10.9%	380.4	369.7	-2.8%
New York	1,002.0	1,087.5	8.5	586.6	516.2	-12.0
Nassau-Suffolk	204.6	238.6	16.6	167.3	167.8	0.3
Philadelphia	460.9	511.6	11.0	440.1	387.8	-11.9
Pittsburgh	215.1	231.8	7.8	241.6	166.9	-30.9
Detroit	346.0	356.3	3.0	491.4	415.9	-15.4
Chicago	667.5	739.8	10.8	812.2	639.8	-21.2
Minneapolis-St. Paul	240.1	257.3	7.2	246.2	232.9	-5.4
Subtotal	3,597.0	3,933.7	9.4	3,365.8	2,897.0	-13.9
SOUTH AND WEST						
Baltimore	191.4	212.8	11.2%	159.8	139.8	-12.5%
Washington	429.9	485.7	13.0	58.2	64.5	10.8
Atlanta	199.3	230.2	15.5	143.9	145.7	1.3
Dallas	256.4	314.7	22.7	320.3	307.6	-4.0
Houston	280.4	312.1	11.3	243.5	201.5	-17.2
Los Angeles-Long Beach	829.3	882.7	6.4	912.1	849.7	-6.8
Anaheim-Santa Ana	172.1	201.3	17.0	220.5	209.6	-4.9
San Diego	148.2	163.4	10.3	108.1	106.3	-1.7
Subtotal	2,507.0	2,802.9	11.8	2,166.4	2,024.7	-6.5
16 METRO TOTAL	6,104.0	6,736.6	10.4	5,532.2	4,921.7	-11.0

Note: *All areas except Boston are the Standard Metropolitan Statistical Areas used by the Bureau of Labor Statistics. Boston is represented by the combined SMSAs of Boston, Brockton, Lawrence-Haverhill, and Lowell.*
Source: *Bureau of Labor Statistics,* Supplement to Employment, Hours, and Earnings, States and Areas, Data for 1980-83.

service-industry employment, it is no surprise that 13 of the 16 major metropolitan markets are projected to grow in population through the remainder of the 1980s, according to Donnelley Marketing estimates. Only New York, Pittsburgh, and Detroit are projected to lose population.

Houston is projected to increase by 37 percent between 1980 and 1989, to 3.8 million. Atlanta, Dallas, and San Diego are expected to grow between 15 and 20 percent by 1989. Anaheim-Santa Ana, Los Angeles-Long Beach, Minneapolis-St. Paul, and Washington are expected to increase by at least 10 percent. Baltimore and Nassau-Suffolk will grow by 5 percent. And Boston, Chicago, and Philadelphia will grow by at least 2 percent during the 1980s, a small but significant reversal from the 1970s.

The rankings of the top metropolitan areas will shift in the 1980s. New York has long been the largest metropolitan area, but Donnelley projects that Los Angeles-Long Beach may rank first in 1989. Houston's population could pass Washington's, moving Houston into seventh place. Chicago, Philadelphia, and Boston, however, should maintain their third, fourth, and fifth place ranks, aided by their growing service sectors. ●

"The Changing Nature Of The American Workforce: A Challenge To Congress"

By: Jeannette Reddish Scollard
May 17, 1988

For:

House Committee On Small Business:

Hearings On Women And Small Business Issues

"The Changing Nature Of The American Workforce: A Challenge To Congress"

The American businessplace is undergoing dramatic changes. Women are an important part of these transitions, which are all the more apparent to me because of the several jobs I hold: as an entrepreneur; as an author now researching a third book on women entrepreneurs for Macmillan Publishing; and as resident financial expert of ABC Television's "Home" show. My work keeps me in touch with the heartland of America.

Three Major Trends Of The American Workforce

I would like today to spotlight three major trends of the American workforce. They represent substantial changes and women are a pivotal factor in all three of them. I will briefly call these developments to your attention, point out some of the challenges they present and suggest some of the ways in which Congress can provide important assistance.

A. Brain Drain

The first and most important trend is the brain drain of women from the traditional male-dominated corporate arena. The cream of women executives are leaving the larger corporate structures and opting to start businesses of their own.

Reasons For Brain Drain:

1. There are two reasons for the brain drain. The higher up a woman moves in the business hierarchy the more sex discrimination she is likely to encounter. I know. I've been there. In the late 1970's I was the first

and only woman officer in the history of a 100-year-old blue chip multinational. I learned firsthand what it is like to reach the crystal ceiling -- the ceiling the male establishment denies exists -- the point at which a woman will not be promoted no matter how well she performs. I perceive no improvement today of this tacit discrimination against women.

Women refuse to be so easily dead-ended in their careers. They realize that not one single major corporation is grooming a woman to be the CEO. They realize that not one single woman is among the power brokers in the financial community. They realize there still is no ladies' room at the New York Stock Exchange.

Women realize they must move into another milieu away from the Old Boy Network which has so successfully excluded them. They've figured out that if they want to be President they're going to have to own the business themselves. Hence, the exodus from corporate life into entrepreneurship. Not only can women make as much or more money on their own, they can be in control of their lives.

2. This brings me to the second factor that makes entrepreneurship so attractive to women. We carry the lion's share of the responsibility for our husbands and children. The regimented nine-to-five of the male corporate structure was designed for men who had wives. Well, women don't have wives. They are the wives.

The only way a woman can "have it all," as men do, is to take charge of her destiny. She has discovered that if she's the boss she gets to write the rules. New rules. She can design her schedule around her family's needs. She can delegate to her assistants when Johnny is sick.

When she likes she can take the office to the nursery or the nursery to the office. She can do this without missing a beat or losing one iota of her professionalism.

So what we're seeing is this extremely capable segment of our workforce abandoning the corporate halls and creating what is now the most exciting and vibrant part of our economy: new businesses that create new jobs for our workforce.

We're only at the beginning of what is becoming a groundswell. You'd be surprised how many women executives still in corporations are harboring dreams of escape. They keep their jobs for the short term as they secretly build the framework for their future long term enterprises. They plan to escape the confinements of being second class citizens in a man's world and create brave new worlds of their own.

Effects Of Brain Drain:

1. We should focus on two important ramifications of this change in the marketplace. One, the exodus of senior women is depriving traditional American business of an important source of fresh insight and ideas. Much of corporate America is in dire straits right now and can ill afford so crippling a brain drain. I would, therefore, suggest that Congress vigorously encourage corporate America to promote its talented capable women. As it stands now, the outlook for women in the 1990's in corporate America is far bleaker than it was in the 1970's. To be blunt, many corporations have already hired their token woman -- who may have left in frustration -- and now the corporation feels under no pressure to replace her. The attitude is, "We had one and she didn't work out, so you can't say we haven't tried."

2. There is another interesting ramification of the exit of women from male-dominated corporate America that is more profound. Not only are women's ideas lost, so is the impact of their management style. Women's management style is far more appropriate to the social realities and economic contingencies of today. It is more open, subject to give and take, responsive to the attitudes and insights of their subordinates. Moreover, women managers tend to inspire more loyalty and have earned a reputation among their male superiors for being more loyal than their male counterparts.

Transfer this management style to the unique advantages of entrepreneurship and you have an interesting combination. As you know, one of the key strengths of privately held business is that it has the privilege of thinking long term. Such a business is not at the mercy of investors who think only short term and are preoccupied solely with the price of the stock and the dividends which will be paid next quarter. Since an entrepreneur must answer to no outside interest she can plan for the long term. Therein lies much of her business's future strength.

To summarize, we have a new management style that inspires job satisfaction and loyalty in a setting where a long term view is possible. Women entrepreneurs can provide a fresh new work environment which might compare favorably with the much touted Japanese style. The style of women entrepreneurs is much more in keeping with the trends of the 1990's than is the more rigid and increasingly outmoded approach of our traditional, but beleaguered American businesses.

What Congress Can Do:

What is the major challenge facing these women? Money. Women entrepreneurs typically have more difficulty than their male counterparts in raising capital. Banks routinely discriminate against women. American bankers simply have not kept up with the changing nature of the workforce and very few of them recognize what an important market is emerging in women-owned businesses.

We really need help and you can provide it. The solution is very simple. You in Congress must help us open the eyes of the banking community to this major economic trend of the 1990's. You must encourage them to give women a break. You can mandate incentives to encourage banks to stop discriminating against women-owned businesses.

B. Middle Management Outplacement

The second trend I would like to call to your attention is a result of the takeover mania that currently possesses corporate America. We're seeing an extraordinary consolidation of major companies as they take turns swallowing each other up. The mergers have a direct result on the workforce because they eliminate jobs. Combined companies have redundant jobs. For instance, how many accounting and personnel departments does a single business need? Mergers result in a massive outplacement of middle management. Middle level management is fired or forced into early retirement.

Corporate America may not have many jobs for outplaced 50-year-old managers, but entrepreneurial America surely does. These experienced managers are a great potential source of assistance for traditionally undermanaged entrepreneurial companies.

What Congress Can Do:

The challenge here is twofold: first of all, the outplaced managers need to be educated about the opportunities in a world they know little about -- small business. And they need to be trained in the lean cost efficient management style that is indigenous to small business. Banks have to take women business owners seriously and fund them as they create new jobs for what is now an idle reserve of talent.

Once again, Congress can be of great assistance in providing a solution. We need educational and job placement programs to facilitate the recycling of these seasoned managers to help the usually understaffed entrepreneur. And we need incentives that reward banks for funding payrolls expanded to include otherwise unproductive members of the displaced management community.

C. Women Returning To The Workforce

The final trend I would like to bring to your attention is the entry of housewives to the workforce and the return of women who took time out of the formal work place to raise children. Traditionally, these women would have worked at lower levels in corporate America; but as entrepreneurism increases they are starting small businesses, frequently selling the skills they learned in the home. They sell their housewifery skills, their cooking skills, their child care skills. Usually these businesses are started with very little money -- under $500. And usually they operate from the home.

Once again, they need assistance. They need to learn more about busines about marketing and record keeping. They also need access to small amounts of capital.

What Congress Can Do:

What can Congress do to help? Encourage the banks again. Persuade them to set up departments specifically oriented to investing in tiny emerging businesses. I can't think of a better investment.

We need to underwrite basic business classes to help these women on thei way.

Thirdly, tax laws should be redesigned to encourage the small business person operating from her home. There is no reason why she should be penalized simply because it is more efficient and cost effective to keep the business at home.

Finally, simplify the paperwork necessary for the operation of small businesses that employ only two or three people. Encourage these small businesses. Many of the greatest success stories in American business began in the home.

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In short, these three trends -- the brain drain of female executives out of corporate America, the outplacement of (mostly male) middle managers from corporate America and the entry of housewives and full time mothers into entrepreneurial America -- are all challenges which can be met with the same basic solutions:

Increased knowledge and access to capital.

You in Congress have the power of authorizing various agencies to fill the educational needs I have brought to your attention and of persuading the banks to give women an equal chance. Moreover, you can legislate tax incentives to help small businesses grow into bigger ones.

As has been reported to you in earlier sessions, by 1990 at least half of all new business startups in this country will have been initiated by women. What we need now is to form, consciously, an environment where these enterprises can flourish, creating new jobs and bringing long term economic benefits to the American economy.

BPW
USA

The National Federation of Business
and Professional Women's Clubs, Inc.
of the United States of America

2012 Massachusetts Avenue, N.W.
Washington, D.C. 20036
(202) 293-1100

STATEMENT BY BPW/USA
THE NATIONAL FEDERATION OF BUSINESS AND PROFESSIONAL WOMEN'S CLUBS

TO

THE HOUSE COMMITTEE ON SMALL BUSINESS

UNITED STATES HOUSE OF REPRESENTATIVES

HEARINGS ON WOMEN AND BUSINESS OWNERSHIP

TUESDAY MAY 17, 1988

My name is Beth Wray. I am the President of the National Federation of Business and Professional Women's Clubs, Inc. (BPW/USA). Mr. Chairman, members of the Committee, I want to thank you for giving BPW/USA the opportunity to present testimony to this Committee on issues of great importance to BPW -- women's business issues. I also want to commend you, Chairman LaFalce, for once again demonstrating your commitment to a proactive approach to the needs of America's small businesses. Hearings such as these provide all of us -- government, private sector, education, and the non-profit community -- with food for thought and recommendations for action. Thank you.

BPW is the oldest and largest organization in America dedicated to the needs of working women. We are 120,000 women and men from across America. Our members are business people and professionals and range from corporate vice-presidents to entrepreneurs who are the business. Since 1919, we have been a leader in the development of public policy affecting working women, and we work at all levels -- federal, state and local government; within our own businesses; and in organizations to which we belong. BPW sees its role as two fold: promoting women's role in the workforce and helping business to adapt to the social and economic climate created by women's changing role. We are especially sensitive to the needs of small businesses because one third of our members are employed in or own small businesses. Many others serve these small businesses as bankers, computer specialists, accountants, telecommunication experts.

Our experiences and our livelihoods give us a unique perspective on the issues being discussed today. As businesswomen we deal daily with the impact of the changing labor force and the changing economy on the bottom line. As women, we know the personal impact of these changes, and the adaptations we as individuals need from businesses and our government. And as citizen lobbyists, we have the unique ability to take and promote a broader view backed up by research.

CHANGING LABOR FORCE

The American labor force is being transformed by the incorporation of women into the labor force and the increased percentage of workers who have parental responsibilities without someone at home to assume full-time family and household responsibilities. In 1988 women comprised 44.8% of all workers as compared to 33.4% in 1960. About 40% of the workforce is now made up of families with both spouses working, with another 6% being single parents. About 60% of married men who work have wives working full-or part-time.

The needs of families are going to play an increasingly larger role in recruitment efforts, benefit plans, and productivity incentives. Employees, particularly women, cannot leave their problems at home as their employers might prefer because increasingly there is no one left in the home to take care of family and household needs. By the year 2000 women will constitute almost half (47.3%) of the working population.

Two-thirds of the 15 million new entrants expected by the year 1995 will be women. Most of these women will get pregnant at some point during their work lives, work up until their ninth month, and return to work after their babies are born. By 1995, 80% of women aged 25 to 44 will be working -- 90% will be mothers. Two-thirds of all preschool children and 4 out of 5 school-aged children will have working mothers. The productivity level of the American labor force will depend on business policies that allow for balancing work and family responsibilities of these mothers (and fathers who increasingly share in at least some of the family responsibilities).

TRANSFORMING THE ECONOMY

Demographic shifts often create new demands on the economy. Just as the baby boom led to an increase in public schools, health care services, and the growth of child-related industries from Gerber, to Mattel, to Walt Disney productions, the incorporation of women into the labor force has led to dramatic changes in the climate in which business must operate.

One of the most dramatic consequences of the changing workforce is the growth in businesses and services that were once provided by homemakers. For example, people are now buying child care. Nearly 8 million working women depend on baby sitters, relatives, pre-school, or day care centers to look after their children. Between 1977 and 1985, licensed child care programs experienced a 72% growth rate in just 8 years, increasing from slightly over 133,000 to 229,000. Middle income families are spending from 9% to 11% of their annual income on child care. Working women spend about $11 billion on child care services.

The incorporation of women into the labor force has also meant that people have become time-poor and are willing to purchase services and products that compensate for lack of time. For example, more people are using cleaning services and buying microwave ovens, frost-free refrigerators, and VCRs to manage time. People are certainly eating out a lot more. In 1960, consumers spent $16.9 billion dollars eating out as compared to $124.2 billion dollars in 1985. This was almost as much as they spent on food consumed in the home ($150.4 billion). While restaurant use continues to increase (10% between 1982 and 1986), people are now looking for financially inexpensive ways to eat at home fueling the growth of home delivery and take-out food services.

The rhythm of work life means many people can no longer shop during working hours. About 70% of households have no adult home to do the shopping, go to the bank, or pick up the dry cleaning. This means stores will have to change their hours, opening earlier and closing later. Many people have little time to shop and less patience to enter stores -- witness the growth in personal shopping consultants and shopping through catalogues. Mail order sales brought in $46 billion in 1985 when an estimated 47% of adults shopped by mail (45% men; 53% women). Television shopping brought in $60.2 million. By 1995, out-of-store sales could account for up to one-third of retail sales.

These combined forces have created a climate for American business in which they must adapt or die. For example, let us look at an American tradition -- the Fuller Brush Company. Here is a case where both the product and the mode of delivery had to change. Women now use Vanish and Scrub Free instead of specialized brushes and elbow grease to clean their homes. And the American woman is also no longer at home to answer the door when the Fuller Brush man rings. Fuller Brush adapted. It now specializes in beauty care brushes and sells them by mail (with a telephone order system personed by female customer sales representatives).

SMALL BUSINESS

Small businesses are always the first to adapt to changing demographic and economic shifts. In recent years they have been on the cutting edge of the shift in the composition of the US economy from manufacturing-based to service based industries. By the year 2000, small business will employ 44% of the American labor force and produce 40% of the nation's goods and services. Changing business climate, consumer pool and personnel needs often force many small businesses to redefine their markets and policies. Because of their greater flexibility in responding to a changing economy employment growth among small businesses has far out-paced large businesses (5.1% compared to .7%).

The small business community is also changing as a growing number of women decide to start their own businesses rather than work for others. Women own an estimated 25% of the nation's small businesses. The number of women-owned business increased from 1.9 million in 1977 to 3.3 million in 1983 at twice the annual rate of growth than men (9.4% annually as compared to 4.3%). At the same time the number of businesses jointly owned by husbands and wives increased from 257, 899 to 461,955 (10.2% annually). If the current trend continues, women may own half of all small businesses by the year 2000.

In 1982, despite significant barriers, women-owned firms generated receipts of $98.3 billion, 10% of the total of all small businesses. Business women make a substantial annual contribution to the tax base in this country paying $37 billion in federal and $13 billion in state and local taxes.

Women-owned businesses are concentrated in the fastest growing segment of small business community --sales and service, particularly in export services which are the cutting edge industries. Almost half of businesses in retail trade (45%) and three-quarters of personal services are owned by women. The three top industry groups accounting for the largest dollar volume of receipts by women-owned firms in 1982 were: eating and drinking places; food stores, and personal services. Together they represent 523,559 firms and over $18 billion in receipts.

Small businesses have traditionally employed greater numbers of women than large industries. Between 1980 and 1985, 6.9 million new jobs were created in the female-dominated sectors of service and sales. By the year 2000 over half of small business employees will be women. Women-owned businesses tend to be small, averaging four employees. These women have many of the same personnel concerns as men who own small businesses. Their businesses will suffer if a worker is absent or distracted because of family responsibilities. But our members tell us that the best policy under these circumstances is to adapt to meet the challenges of combining work and family.

One of our members, from Kansas, owned an interior design business for 11 years. Many of her young designers were having children. Community child care was inadequate so projects were interrupted, appointments were missed, and customers were angry. She purchased a building near by and started a child care center. Stress and absenteeism were reduced. Other designers want to work for her because of the child care services. Productivity and business improved.

Another of our members in Minnesota owns a small catering business with only 30 employees. Her supervisor got pregnant and needed parental leave. She worried that it would be very hard on her and the rest of the staff to pitch in and cover the additional work for that much time. In the end she concluded it would be less disruptive and expensive to rearrange schedules than to hire and train a new supervisor.

POLICY IMPLICATIONS

As is clear from this discussion the policy innovations demanded by the changes we have outlined are as broad and far reaching as the changes themselves. Not all of these policy changes are governmental policy changes. Many can and must be undertaken by the private sector itself.

Economic theory indicates the business community will adapt to demographic change given sufficient time. We know that and applaud the businesses who are at the cutting edge of that change. But sometimes American society does not have that much time. It is under those circumstances that government needs to intervene either through provision of information to make change possible, or funding assistance to alleviate the economic cost of the change, or sometimes direct intervention to set a standard below which American society will not fall.

As we look at the effects of the changes we have described on American society and her businesses, we see three specific areas which these hearings should address. The first is the adaptation of businesses to the family needs of their workers. The second is the adaptation of businesses to the changing economic climate created by these demographic changes. The third is the specific needs of the increasing number of businesses owned by women. In each case, we believe there are policies which fall into the areas we have discussed -- those which should most properly be undertaken by the business itself and which are not the direct concern of this Committee, those in which government has a role in providing data and/or start-up funding, and those in which government has an abiding interest in seeing that action is taken and therefore legislation which calls for a particular result is properly needed.

FAMILY POLICIES

Like most major social change, the reorientation of the workplace to women's needs is happening slowly. The demand for women workers, however, will mean that businesses will have to adapt to family needs in order to attract and keep quality employees and maintain a high level of productivity.

Experts say most parents who work must piece together 2 or 3 separate arrangements to insure child care for the full working day. This means that there are many points of the day in which child care arrangements can fall apart and force parents to interrupt work. A recent Current Population Survey found that nearly half a million working women lose time from their jobs because of problems with day care arrangements. About a third of all American children between 6 and 13 are home alone for some time after school leading to reduced productivity and higher error and accident rates as employees worry about their children.

Many workers are also worrying about their elderly parents. Nearly 1 million working women are primary care givers for an elderly relative. A 1986 study by Travelers Corporation found that 1 out of 5 employees over the age of 30 provides some care to an elderly parent (usually widowed mother), 31% of all caregivers are employed outside the home. The majority of these employees are women. Increasingly, companies are becoming worried about the level of absenteeism and lateness among employees caring for aged relatives. This problem is only going to get worse as the population ages.

While working women still assume the main responsibility for child care, fathers of young children with working mothers are being faced with increasing child care responsibilities. A recent study found that while women are more likely to experience job stress due to work and family conflicts, men with young children are also reporting increased stress (66% of women and 50% of men reported stress). Another study found that the stress over balancing work and family responsibilities is the heaviest contributor to depression among employees, regardless of gender.

Thus far the majority of businesses in this country have taken little or no action regarding helping employees balance work and family needs. There are, however, some impressive pace setting companies that provide models for how these problems can be addressed.

Merck & Company: This major pharmaceutical company updated personnel policies once women comprised a third of their employees. In 1980, Merck invested $100,000 to open a child care center near their headquarters. They initiated flexitime in

1981, allowing employees to start work at any point from 7:00 am to 9:30 am. In 1983, parents were allowed to work part-time at reduced pay but continued benefits. In 1985, counseling programs were established to help employees cope with the strain of work and family conflicts. The company offers both men and women unpaid parental leave for up to 18 months. It is planning to provide child care resource and referral information for its employees nationwide. A company study on productivity found decreases in absenteeism and tardiness as a result of flexible work schedules.

IBM:In 1984 IBM spent $1 million to establish the first nationwide corporate service for referring employees to community child care. IBM funding has also helped upgrade the quantity and quality of child care facilities nationwide. A recent in-house study showed that 30% of employees had some responsibility for an elderly relative, leading the company to offer additional benefits including access to a company-funded network of community agencies providing consultation on problems with the elderly, referrals to medical services, home-delivery meals and other services. IBM also offers flexible work schedules and a year of part-time work for employees returning from up to a year of unpaid leave. The company is also piloting a referral program for sick-child care.

Campbell Soup Company: The company has an on-site child care facility at its headquarters with room for 123 children six weeks old to kindergarten age. Campbell subsidizes about 60% of costs with parents' net fees ranging from $41/week for a preschooler to $59 for an infant. It also provides three months of unpaid parental leave, flexible work scheduling and job sharing (for those employees not on production-shift work).

Small companies are also experimenting with creative ways of providing services to their employees. Small businesses that are located near each other (such as industrial parks) can pool resources to run a center on a joint basis. Seven television and radio stations in the Washington, D.C. area created Broadcasters' Child Development Center in a local school. Small businesses can also collaborate with school districts and community agencies to run before- and after-school programs. The Houston Committee on Private Sector Initiatives coordinates funding from 30 companies to enable nonprofit agencies to offer after-school care in schools, churches, and storefronts.

These private sector initiatives are to be applauded. We believe that more will occur as time goes on. However, the very paucity of efforts by businesses points up a specific need for data and assistance by the government. In our continuing efforts to educate businesses and policymakers, we have discovered, as many of your speakers have, that there is almost no research available outside individual large corporations, on family policies. Most of the information available on which policies work, which are cost effective, which boost productivity, which increase recruitment and retention of workers and which do not is anecdotal or specific to the corporation doing the study. Yet, as we have identified, it is in America's self-interest to have these answers and to use this data to develop effective responses to today's changing workforce. The need is particularly great for the small business community. These companies are the ones which must adapt first and the last to be able to afford the research that would help them do just that. Therefore, we propose a study be undertaken under the auspices of this Committee to determine what America's small businesses are doing to provide for the family needs of their workers, to document policies which are working, to set up demonstration projects to test various responses to the needs of employees and provide quantitative documentation of effectiveness and cost-benefit to the employer, and to establish the number of workers actually covered by such enlightened programs.

In addition, we have consistently supported legislation which will provide for specific results to meet specific needs which cannot or are not met within the resources of the business community. We support the Act for Better Child Care which will, among other actions, help to increase the availability of quality child care programs to which employers, especially small employers, can refer their workers. We support the Family and

Medical Leave Act, which will set a floor of support for America's families to care for newborns or in times of family or personal illness. We support a study of the compensation of the federal work force to determine if action is needed to provide pay equity among workers. We support several efforts in the area of pension law to ensure that the needs of women workers are recognized. We thank the members of the Committee who have joined us in these efforts.

ECONOMIC CLIMATE

As we have previously discussed, much is happening in this arena as well. Increasingly, businesses are changing their products (Proctor and Gamble), changing their method of providing the product or service (Fuller Brush), or even abandoning old services and products for new ones which are more needed (Singer Company). We believe that these adaptations are much needed, and will assist not only the business to survive, but help each of us reduce the stress in our own lives.

However, this is another area in which small businesses do not necessarily have the ability to obtain the needed data and research on which to base their future actions. As many commentators have noted, the pace of change will continue to increase. We do not yet completely understand the full impact of the changing family and the changing workforce on our economy.

Many questions which directly affect business practices and business investment remain. As we all know, it is from America's small businesses that America's large businesses grow. Yet, today, our small businesses are trying to make their way in a climate undergoing the most dramatic change since the Industrial Revolution. And they are trying to make their way without a road map. Imagine how much more productive they would be, how many more businesses would survive and how many more jobs would be created if they could have access to the sort of planning projections currently available only to farsighted corporations. Again, we call for a study to detail the changes in the workforce and economy which will be caused by the continuing involvement of women in the workforce, with special attention to the adaptations small businesses must make. This study should project workforce changes to the year 2010, dissect and describe specific economic needs and markets these changes may produce, and issue recommendations for adaptation by small businesses. In combination with the other study we have proposed, this study will provide small businesses with the kind of help they need to make it in our dramatically changing economy.

At the current moment, we do not present specific legislative initiatives to meet these needs.

Previous testimony before this body has covered well the needs and actions of America's most dynamic economic force, women business owners. Currently, almost all progress by these women has been through individual or collective private efforts and "against all odds" to quote Gillian Rudd, President of NAWBO. Government assistance is needed in two major areas. First, accurate information must be gathered on women business owners and accurate information made available to women business owners about government programs and procurement and contract procedures. We believe that NAWBO has proposed an interesting idea with its Women Business Owner Federal Initiative, and will be discussing this proposal with them at length. Second, we believe legislation is needed in some areas. Our first priority is legislation to ensure women have equal access to commercial credit. The right to equal access to personal credit has been assured since October of 1974. Women deserve no less in their business dealings. We commend the Chairman for his role in this legislation, and look forward to working together on this vital bill.

SUMMARY

The systematic entry of women into the workforce has created a revolution in our economy, our businesses and our society as profound as the changes wrought by the Industrial Revolution.

Businesses, government and society can respond to these changes with handwringing, denial and stop gap measures designed only to meet needs so pressing they cannot be denied. Or they can meet the future with foresight, a sense of challenge and see these changes as the opportunity for progress and economic gain they are. We believe the businesses that survive will be those who pick the latter route. We are working within the system to forge that route. We ask your help to provide the data, legislation and support needed. Thank you.

SAVVY MAGAZINE ARTICLE, MAY 1958

THE BEST COMPANIES FOR • WOMEN

An inside look at 52 top companies—as seen by the women who work there.

By Lorraine Dusky and Baila Zeitz

YOU'VE HEARD the bad news about women's hard-earned gains in the work force in terms of equitable pay and opportunities for advancement. Now the good news—a number of industries have made great strides in the recruitment and promotion of qualified women. Within those industries, women fare better in some companies than in others. The key question is: which industries and which companies?

To answer that question took two years of extensive digging and hundreds of interviews. In May 1985, Lorraine Dusky and Baila Zeitz sent letters to scores of executive recruiters and professional woman's groups asking for nominations of companies that excel in their treatment of women. What Dusky and Zeitz were looking for was a good record in the recruitment and hiring of women, opportunities for promotion, reasonable salary levels, a commitment to equality, flexibility for parenting needs and a strong policy on sexual harassment. Nearly 200 companies were nominated in this search, some more than once. Each nominated company was sent a six-page questionnaire—81 companies responded. Dusky and Zeitz visited those that merited further investigation and conducted interviews with women at all levels. They asked, Is the company as good as its reputation? Or better? Is there a strongly worded policy on sexual harassment, and is it taken seriously? What happens to women who take maternity leave? Are their jobs guaranteed? Is there a glass ceiling? At what level? Are men and women being paid equally?

The final selection of 52 companies was based on a combination of benefits, policies and practices, along with the personal experiences of woman employees, which carried more weight than the company line. The three profiles here and the 49 others in the book (see list) present an overall picture of what it is like for women to work for that particular company—often in their own words. Their experiences give an insight into company policies and corporate cultures that you will not hear from the director of human resources or read in the company literature. These profiles tell you what to expect when you apply for a job at one of these companies, as well as what may happen if you are hired.

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Illustrations by Rose MacDonald

THE A-LIST

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COMPUTERS

AT&T, New York, NY
Digital Equipment, Maynard, MA
Hewlett-Packard, Palo Alto, CA
Honeywell, Minneapolis, MN
IBM, Armonk, NY

CONSULTING

Hewitt Associates, Lincolnshire, IL

CONSUMER GOODS

Avon Products, New York, NY
General Mills, Minneapolis, MN
Hallmark Cards, Kansas City, MO
Procter & Gamble, Cincinnati, OH

ELECTRONICS

Honeywell, Minneapolis, MN
Recognition Equipment, Irving, TX

FINANCIAL SERVICES

American Express, New York, NY
Salomon Brothers, New York, NY
Shearson Lehman Brothers, New York, NY

FOOD AND BEVERAGES

General Mills, Minneapolis, MN
Pepsico, Purchase, NY
Restaurant Enterprises Group, Irvine, CA

FURNITURE

Herman Miller, Zeeland, MI

HEALTH CARE

Mount Carmel Medical Center,
Columbus, OH

[illegible]

The Denver Post, Denver, CO
Gannett, Arlington, VA
Avon Books (Hearst), New York, NY
William Morrow (Hearst), New York, NY
Simon & Schuster, New York, NY
Time Inc., New York, NY

RETAILING

Conran's (USA), New York, NY
Neiman Marcus, Dallas, TX
Payless Cashways, Kansas City, MO
Saks Fifth Avenue, New York, NY

SCHOOLS

Drake [illegible], New York, NY

SERVICE DIRECTORIES

GTE Directories, Dallas, TX
U.S. West Direct, Aurora, CO

SOFTWARE

Cognos, Peabody, MA
Lotus Development, Cambridge, MA

TELECOMMUNICATIONS

AT&T, New York, NY
GTE, Stamford, CT
Mountain Bell, Phoenix, AZ
Northwestern Bell Telephone Co.,
Omaha, NE
Southern New England
Telecommunications,
New Haven, CT

BUILDING CHARACTER: PAYLESS CASHWAYS

"You're writing about the best companies for women?" the cab driver asked to make sure he got it straight. There was a murmur of assent from the rear seat.

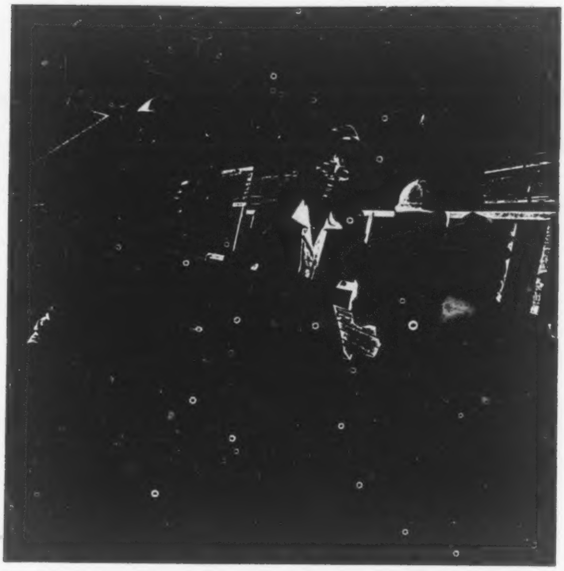
"Let me tell you, Payless is the best—*the best company*. Number one. The top people are the best—Miss Stanton—she's an officer. And David Stanley is someone who doesn't have any prejudice at all—I mean, *at all*." The cabbie turned around to make sure he got his point across. "And I'm saying that as a black man—he doesn't care if you're black or female; if you can do the job, he'll give it to you."

Word has gotten around Kansas City that Payless Cashways is an equal opportunity employer. It isn't a company that makes a lot of concessions to women. "We do not concern ourselves at this point with familial obligations," came back on the survey. "We do not know who is responsible for parenting nor do we assume that responsibility. We concern ourselves only if it interferes with job performance."

And it is a company where the pace is grinding. Even in the soft retail market in the Midwest and Southwest, where many of its stores are located, Payless is going through a growth spurt. In the last five years, it has doubled its outlets and tripled sales. Hiring seldom keeps up with that kind of growth, meaning there are never enough people to do all of the work.

But it would be hard to find another group of such enthusiastic women who are as convinced that "the sky's the limit" when asked how far they can go at their company. And these are women selling lumber, screwdrivers, faucets, plumbing fixtures and fertilizer. "I've never worked any place where there was so much interest in pushing females ahead," insists Jan Maloney, who until recently headed up the corporate safety program, which at most companies is a macho job.

David Stanley, CEO, came to Payless in 1980 and shook the cobwebs out of a chain that was run by men who had spent most of their working lives selling building materials. One way he's made an impact is by hiring smart, sassy women. A former anchorwoman on the evening news now handles sales promotions. And Susan Stanton, who formerly ran the county jails in Kansas City, is the senior vice president for administration and corporate planning. She is also an officer of the company, as are Linda French, general counsel and secretary,



Knock on wood: "Conversations stopped when I walked into a room," says Linda Kostic of Payless.

and Jean Warren, assistant treasurer.

One of Maloney's responsibilities was devising a strength test for new employees who worked in the lumberyard, loading cement sacks and two-by-fours onto customers' trucks. Another was changing some procedures so that more people were able to do them. If you raise to three feet or so the level at which 94-pound cement sacks are stored, for example, 74 percent of the women will be able to lift the load from that level to a truck bed. At ankle level, only 40 percent of the women can lift them. At the same time, injuries to both sexes can be greatly reduced. By making such small but significant changes, as well as coming up with a meaningful measurement of strength, Payless has opened up more jobs to women and to men who are smaller in stature (such as Asians and Hispanics).

But how many women are applying for jobs in the yard anyway? They're already there. When Maloney went to Addison, Texas, to observe what was going on in the shipping yard, she found two women in receiving. She videotaped one of them "who couldn't have weighed more than 110 pounds, pulling a pallet loaded with 2,400 pounds of nails." When Maloney asked the guys to name another hard job in the store they suggested the paint department. "The next morning, I found Maria in the back room throwing around 50-pound cans of spackling." Who says women can't do the job? Or don't want to?

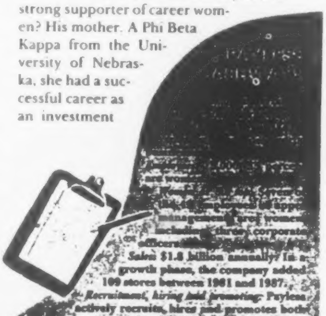
While women at corporate headquarters in downtown Kansas City have an easier time coming up through the ranks than in the male-dominated marketplace, two of Payless's 168 stores are managed by women. Linda Kostic is the manager of a Denver outlet that goes under the name of Hugh M. Woods, a Colorado chain that Payless bought in 1984. Kostic admits that the initial suspicion of her as a manager may have made her job a little more difficult than it would have been for a man, but she says she doesn't let it bother her because she knows she has the support of corporate headquarters. "Conversations would stop at store managers' meetings when I walked into the room," she recalls. "That's relaxed some. But anybody who thinks she is going to be initially accepted is setting herself up for a big fall. You have to win them over one by one, and if there's somebody who's really opposed to you, don't try to win him over. You just have to do the best you can and run with it." Regardless of the resistance of some of the male managers, Kostic doesn't let it get in her way. "In operations, it's possible for a woman to succeed," she says adamantly. "No one can hurt you if you do a good job, because in the field it's so measurable."

When Stanley came to Payless, he assembled an almost entirely new management team—young, dynamic and energetic—and let it be known in no uncertain terms that women or minorities were not to be passed over. If necessary, he'd tell someone point blank that their sexist attitudes had no place at Payless. "David looks poorly on someone who vocalizes their discontent because somebody is female," Susan Stanton says.

Stanley looks upon his feminist attitudes as sound business judgment. "You are most likely to get the best candidate for a job if you address the largest possible pool of candidates, without setting up any restrictions," he says. "If the classification is a college degree and five years of business experience, you limit yourself if you also insist that the candidate look like you and went to, say, Notre Dame or Yale."

What made 51-year-old Stanley such a strong supporter of career women? His mother. A Phi Beta Kappa from the University of Nebraska, she had a successful career as an investment

Photographs by [illegible]



[illegible] management [illegible] women including three corporate officers [illegible]

Sales: $1.8 billion annually. In a growth phase, the company added 109 stores between 1981 and 1987.

Recruitment, hiring and promoting: Payless actively recruits, hires and promotes both women and minorities. A personnel tracking system enhances management development and succession planning. Tuition reimbursement is 50 percent [illegible]

Parental leave: Family responsibility is an area the company stays resolutely away from, but individual women report that flexibility is there when they need it. Medical, dental and vision coverage is excellent. So are employee stock-purchase plans.

Salaries: Payless systematically reevaluates all jobs to eliminate any perceived pay inequity between the sexes. It also awards merit pay raises to recognize performance and keeps current with what other companies are doing to rectify pay inequities.

Major employment centers: Kansas City, 1,500. In addition to Payless Cashways, the stores operate under the names Furrow, Lumberjack, Hugh M. Woods, Somerville Lumber and Knox Lumber and are located in 24 states in the Midwest, Southwest, Pacific Coast and New England areas.

Money talks: The women of Fidelity (from left) Elizabeth Styer, Diane Gilson, Kathryn Endlein, Sara Schmid and Deborah Levin. Below: Rosemarie Greco, president.

banker in Chicago and New York before taking off several years to raise a family. When Stanley was 9, his mother bought a Westchester County, New York, newspaper, the *Yorktown Herald*, which she ran for a decade. Other competent women he met early in his career reinforced his attitude, he says. So did the success he's had with the women he's hired. Stanley's wife is vice president of a company that makes office equipment and computers in Minneapolis, where Stanley commutes on weekends.

Besides carving a path for women at Payless, the energetic Stanley has shepherded the chain from an entrepreneurial operation, where a manager pretty much ran his store the way he wanted, to a company with fairly strict corporate guidelines on everything from purchasing to hiring. Smaller chains were bought and absorbed; acquisitions and new stores account for approximately 20 percent of the company's growth over the past ten years. Between 1981 and 1987, 109 new stores were added. Last year, total sales were $1.8 billion.

Growth like this almost always creates a corporate environment in which there are never enough bodies to do all the work. "We have grown so fast we almost outgrew ourselves," comments Stanton. "We have to play catch-up ball to support our size." Although retailing is a profession in which long hours are the norm, at Payless the pace and intensity are especially grinding.

"The hardest part is the stress level around here," remarks Karen Garrison, a former teacher who's now manager of internal communications. "We are asked to do a number of jobs simultaneously and things are constantly changing. On the other hand, that's one of the intriguing things about working here. You never get bored. But finding a balance between your professional and personal lives is a constant challenge."

Garrison is the mother of a toddler. She took two months off (combining six weeks of maternity leave with two weeks of vacation) and kept up by phone with what was going on. During her first few weeks back, her boss, also a mother, let her take work home and ease back into her job by working on fewer projects, coming in late when the baby had been up all night and going home early when she needed to. When her daughter was put in day care, the child became sick a lot and Garrison was given the necessary time off without being made to feel she was a laggard.

Linda Ward, the understanding boss, says that she would like to think of her handling of the situation as "warm and fuzzy," but it also made perfect business sense. "The fact that we didn't make it so miserable so that Karen said, 'I can't do this,' meant we didn't have to start from scratch with somebody new and say, 'We started as a lumberyard in Pocahontas, Iowa, in 1930 . . .' "

No formal posting of corporate jobs to field personnel is done at this point, but word of mouth seems to work pretty well, and several people from the field have applied for and gotten jobs at headquarters. A data bank that tracks everyone—women and minorities particularly—and their interests was recently compiled. As a result, the women interviewed were confident that they would not be sidetracked into dead-end jobs.

Such long-range opportunities were what appealed to Barbara Remkus, who had been an anchorwoman and reporter for the local NBC affiliate: "I had done everything I possibly could do at the station—the only thing left was to begin repeating my schedule," she says. "I didn't want to be an anchor the rest of my life, and the possibilities here seemed wide open." Remkus's first job at Payless included dealing with the media, communicating with the shareholders and managing corporate contributions. "The opportunity is here for you to be thinking about what you would like to do," she says. "They don't say, 'Pick a job'; it's, 'Pick several jobs that you would like to learn how to grow into.' I'm not only thinking in terms of communications. My long-term plan is to be doing something else." Recently, Remkus got her wish when she was promoted to director of sales promotions.

Although it wasn't the reason she left her supposedly glamorous job as anchorwoman, Remkus found Payless's benefits package to be generous. She and other women say the pay is good, and no one doubts that they are paid equal to men. And one woman whose company was bought by Payless got an immediate $8,000-a-year raise.

Stanley's feminism notwithstanding, the corporate culture is a macho one and the women pay close attention to getting along with the men. "I work very hard to make my relationships work," says one woman. "It's probably something I wouldn't have to do if I were a male. . . . I joke around a lot."

If the women had any complaints besides the crushing workload, it was the lack of communication between departments and between the field and corporate headquarters. To lessen the isolation of women in the field—they are spread out across eighteen states—women at headquarters paired themselves up with women across the country. They keep in touch via telephone, and if they are in the same town, they often get together for lunch or dinner. And at headquarters, management women have taken to meeting once a month for lunch. "When a project goes out on a companywide basis, you already have support for it in the field," remarks Stanton, who acts as a sounding board and mentor to an assistant store manager in a Sacramento suburb.

This informal network, coupled with the attitude that "we're all in this together," has bred a keen sense of company loyalty. Remkus found the atmosphere a far cry from the cutthroat world of broadcasting: "In television, you're out on a limb alone watching people saw at it. It took me a while to get used to the family atmosphere at Payless. Sure, tempers flare now and then, but they're friendly temper flares."

BANKING ON WOMEN: FIDELITY BANK

Imagine that you are in a marble and crystal house of money, with pillars reaching heavenward four or five stories, brass fittings and railings gleaming like fools' gold, giant chandeliers sparkling like Christmas lights and elevators with wood-paneled doors that give off the dull patina of years of polish. The whole place reeks of tradition and establishment banking, so much so that just walking into the place makes you feel r-i-c-h, like the money in your purse just had to be inherited. The place is a Hollywood set designer's dream. In fact, it *was* the set for the old-line financial institution that Eddie Murphy took over, in a manner of speaking, in *Trading Places*.

This is banking, Philadelphia style. But Fidelity Bank is not run by Eddie Murphy. It is run by a woman.

Her name is Rosemarie Greco, and she was unanimously elected president of the $10 billion bank in 1987, nineteen years after she was hired as a branch secretary. Talk about rags to riches! When she was hired, fresh out of a convent, the 22-year-old lacked business clothes and the money to buy them. Half of her sister's wardrobe was altered to fit Greco. At the time, she had no plans to be a banker. She thought the bank would be a good place to work while she finished up her degree in education.

But as the saying goes, education's loss was the bank's gain. Today Greco is the first and only female member of the prestigious Association of Reserve City Bankers, whose membership is drawn from the senior management of the top 150 banks in the country.

But to backtrack for a moment: When Greco left the convent in 1968, it was before the exodus of nuns from religious life, and she had a hard time convincing potential employers that she wouldn't be passing out holy cards on her lunch hour or be offended by strong language. By the time Fidelity hired her, after a month of job hunting, Greco was short on confidence and terrified that she would fail. Her job was to open new accounts in one of the branches. To make sure she succeeded, Greco took notes on how to do it and wrote them out every night, stapling properly filled out forms to the instructions. In a few months, others in the bank got wind of what she was doing and her notes became the bank's first training manual.

Soon she was teaching Vietnam veterans how to be branch managers, assignments they usually got in three to six months after joining the bank. Greco's title remained the same: secretary. "At the end of a year, I said, 'Enough of this,' and decided to start teaching in the Catholic schools while I finished working on my degree," she recalls. "But the day I was going to resign, a regional vice president needed a secretary and he asked me." The job paid $15 a week more than the teaching job, so she decided to stay with the bank for another year.

Better jobs kept coming along, however. By the time she graduated magna cum laude from St. Joseph's University in Philadelphia, she was training director for operations. Being a banker no longer seemed like a bad idea.

But not all women at the bank were doing well. In general, they were the tellers, secretaries and bookkeepers, with little chance of getting ahead. Another woman who has been with the bank since the '60s, Denise Shields, recalls, for example, that when a male boss tried to get her a title that mattered in the early 1970s, "the company would have none of it." What got senior management's attention was a sex-discrimination suit that a computer programmer filed after she discovered that she was making less than the male programmer who sat next to her doing exactly the same job. A consent decree followed in 1975.

Greco was on the task force whose job it was to straighten out the mess. More than 700 job descriptions and manuals for every operating unit were written. To get the work out, Greco sometimes ran the presses in the photocopying unit herself. Eventually, she got her big break and was named deputy head of personnel; her job was to do the nuts-and-bolts work of the department. Two years later, she got the top job. By Greco's admission, the consent decree was an easy one—it didn't require that women be put in certain jobs but that they be in the pool from which candidates would be chosen. It was Greco's responsibility to make sure there were qualified women in that pool. "If you keep putting qualified women in front of men making the decisions about a job, after a while their consciousness is raised and they become sensitive to talent," she says.

But problems of sex discrimination weren't the only ones the bank had accrued. Huge losses from unpaid loans caused a crunch; so did sloppy management practices. In one year alone, the bank lost $13 million. Fidelity was in such desperate straits that the Federal Reserve Board intervened in the 1970s. Raymond Dempsey, a banker from New York City, was hired to turn the bank around. He immediately put everyone on notice that times had changed: Unless you were prepared to work long and hard, you should apply for a job elsewhere. And if you were simply doing a marginal job, you were probably going to lose it. Many of

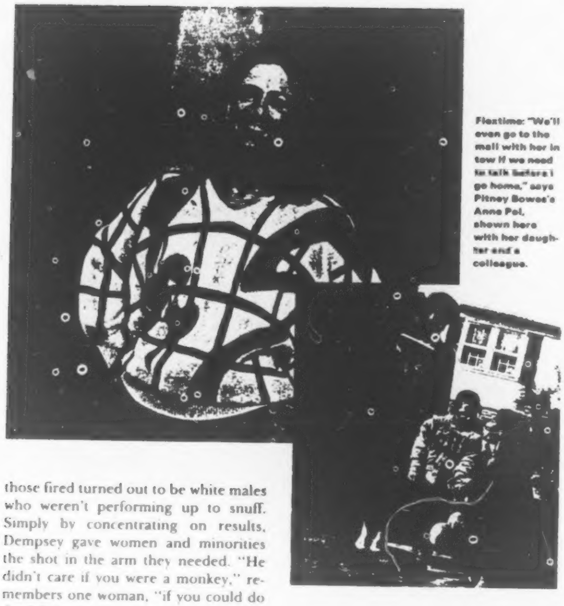
[illegible] board of directors [illegible] $10 billion in assets; $6.5 [illegible] in deposits. This spring, Fidelity [illegible] merged with First Fidelity Bancorporation, becoming one of the country's [illegible] banks.

[illegible] *hiring and promotion:* The bank uses agen[illegible] to find qualified women, and Fidelity [illegible] actively [illegible] support women for promotions. [illegible] aimed at promoting women include job posting, 100 percent tuition reimbursement and a host of training programs. In 1987, more than half of those enrolled in both the professional banking training program and the accelerated management training program were women [illegible]

Salaries: As a result of a 1975 consent decree, the bank went through rigorous reevaluations to rectify pay inequities.

Parental leave: In addition to the standard maternity leave in which a woman receives disability pay, any employee may take three months of unpaid leave, position guaranteed. The bank offers part-time work for managers and flexible work places, as well as a referral-resource service for child-care facilities.

Major employment centers: Corporate offices are located in Center City Philadelphia. There are 125 branch offices throughout southeastern Pennsylvania and the Delaware Valley.



Flextime: "We'll even go to the mall with her in tow if we need to talk before I go home," says Pitney Bowes's Anne Pol, shown here with her daughter and a colleague.

those fired turned out to be white males who weren't performing up to snuff. Simply by concentrating on results, Dempsey gave women and minorities the shot in the arm they needed. "He didn't care if you were a monkey," remembers one woman, "if you could do the job better than somebody who was there, he was going to fire that person and bring you in. And he brought in women."

Dempsey vested considerable weight in the personnel post and Greco became one of his inner circle. That she happened to be a woman reinforced the attitude of gender equality. She became head of community banking in 1981, an executive vice president in 1983 and president early last year.

When Greco was elected president, there were tears of joy at the bank. Greco herself burst into tears. Over the next few weeks, she received over 100 floral arrangements and 500 notes and letters, including this one from a second grader, printed on lined paper: "I am so glad you are the first [woman] president of a bank. I bet you are very proud. I am very proud. I hope you keep your job." The letter hangs in Greco's office at home.

But Greco is not the only success story at the bank. Not one woman interviewed—regardless of race—felt that her rise or failure to rise had anything to do with gender. It was merit alone. "I can never say I was discriminated against because I was a woman," remarks Elizabeth Styer, a senior vice president whose job it is to collect problem loans. "Nor can I say the doors were ever opened because I was a woman. It's been a lot of hard work, a little bit of luck and being in a high-visibility area." Deborah Levin, a vice president who went through an accelerated management-training program, says that being black doesn't cause her any problems in the bank; if she runs into prejudice, it is with customers at the branch she manages.

But if some customers are slow to change their minds about racial prejudice, everyone—including the Federal Reserve Board—has changed their minds about the financial health of Fidelity. Analysts give the stock a top rating and praise Fidelity for its emerging preeminence in consumer banking and its low operating costs. This spring Fidelity merged with First Fidelity Bancorporation.

Dempsey, who moved on to another bank (European American Bank on Long Island) after turning around the numbers at Fidelity, left behind more than a healthy financial institution. The seeds of a meritocracy were firmly established during the years of crisis and consent decree; when the new management team came in 1984, things took off again for women, this time without a consent decree, but with Harold Pote, chairman and CEO, letting it be known that in determining promotions, the reckoning would go like this: talent, 10; sex, 0; race, 0. Pote, who will be 42 in 1988, represents a new breed that is likely to change the way corporations think about women and minorities.

When the bank went lean and mean, generous early retirements were offered, and although Sara Schmid, now a regional vice president, could have taken one, she didn't. She now manages a small group of branches in a growing upscale area and is confident that something even better is waiting for her. "If there's talent and professionalism, it doesn't matter how old you are or what color you are," she says.

But if everybody's working so hard, what happens when there's a family emergency, when the sitter doesn't come, when you can't find good day care until your new baby is four months old? No problem. That's what happened to Constance Bach-Nobel, a computer programmer. She had three children at home and was already apprised of the bank's flexibility when she wrote a proposal on how to handle the leave she needed after the birth of another child. Her plan was to take home a terminal that would be hooked up through a modem to a computer in the bank. Some coworkers were skeptical, but Bach-Nobel persisted anyway. Management went for the plan. A phone line was put in her home (in New Jersey, so that she could be transferring data while she was on her private line with the bank discussing what was coming in. Her husband, a postal clerk, has Mondays off, which enabled her to spend one day a week in the office attending meetings or picking up and dropping off paperwork. On the few occasions when she had to get paperwork to the office sooner, she met another woman who works at the bank at a train station. "Sometimes it was hard, I admit," she says, "but I knew I had to keep up at least the same pace I had in the office or they would never want to do it for anyone else. Sure, I was appreciative, but my loyalty to the bank was already there. It didn't make me think, 'Now I'll stay with them because they did this.' I already felt that way."

For parents who want leaves, the bank allows three months with no loss of benefits. Not only are you guaranteed a job back, you are guaranteed the same job, desk, papers and portfolio if you are a loan officer. "We have to reassign the

PITNEY BOWES

A name synonymous with metered mailing machines, this electronic-equipment company is making forays into information services.

Employees: 22,300; 35 percent are women.

Women at the top: Of the 235 upper-management employees, twenty (8.8 percent) are women, including [illegible] members of the board [illegible] $2.8 billion [illegible] gender bias.

Parental leave: In addition to the standard disability pay for maternity leave, employees get up to twelve weeks of unpaid leave with job guaranteed. A pioneer in flextime, Pitney Bowes also gives monetary support to selected community-based child-care facilities and offers a child-care resource/referral directory.

Major employment centers: Stamford and Norwalk, CT, 5,000; southwest Connecticut, 5,000; Danbury, CT, 1,000; Dayton, OH, 1,400; Melborne, FL, 700; 130 branch offices; manufacturing also in Kansas City, MO.

accounts, naturally, if the woman is out," says Kathryn Endlein, manager of human relations, "but we're very protective that the woman gets her same portfolio back instead of giving it to one of the younger guys nipping at her heels."

Endlein was instrumental in figuring out what to do about the number of women, particularly in the lower ranks, the bank was losing to motherhood. A day-care center was rejected as too unwieldy, but a resource/referral service was made available and noon seminars are regularly held on such topics as "latchkey children." Counselors with training in stress management are on call. Managers were urged to be even more flexible than they had been. The plan seems to have worked. Endlein reports that now far fewer women are quitting when they have children.

Does Greco have any advice for a woman who would be president? Don't focus on the fact that you are a woman. "You shouldn't think of yourself in the one very narrow definition as female," she says. "Once you think, 'I am the only woman in this job, I am the only woman at this meeting,' you send off certain signals and you will be recognized first and foremost as a woman, and not simply as someone doing a job. Focus on why you are there, not on the difference between yourself and the men."

A MEASURE OF SUCCESS: PITNEY BOWES

Deanna Sokolowski admits to being skeptical when she first heard of Pitney Bowes's reputation. Having worked both in academia and business, she knew that a company could say it was doing a lot for women, but when you got inside, "it was the old-boy network running the show." When she went for her MBA at the University of Connecticut, she heard more in the cafeteria: "You would hear women talk so positively about Pitney Bowes, except maybe for one or two malcontents." Now that she's one of Pitney Bowes's boosters, having joined the company in mid-1986, several acquaintances have sent her their résumés.

And well they might. Although Pitney Bowes is a manufacturing company, and in most old-line manufacturing companies women haven't exactly whizzed ahead, women are doing just fine at this postal- and business-machine maker. Six women are vice presidents; two are officers of the company; 30 women are department directors, and others hold the jobs of treasurer, controller and legal counsel. Three women sit on the board of directors.

The person who is making it happen is George Harvey, president, chairman and CEO. Harvey mandated that 35 percent of all new hires and promotions on the professional staff go to women and 15 percent to minorities. "He once said in a meeting, 'It's a pile of baloney that you can't find women and minority engineers,' " recalls Muriem Sharpe, vice president of business and product strategy in the mailing-systems division. "He doesn't do it for sentimental reasons—he doesn't even have daughters. He feels that if Pitney Bowes doesn't make it attractive to women to work here, we're going to be missing out on half the talent, period."

Women's opportunities here are likely to grow as the company moves away from the industrial business it has been in since it was founded in 1920 and into the service and information areas. "Women are perceived as adept at marketing of services," comments Sharpe. The division she previously headed as general manager put out a time-sensitive delivery guide, the industry equivalent of the official airline guide, for transporting packages instead of people.

A few years back, Sharpe discovered a little company in the delivery-guide business, but it wasn't until she was on maternity leave with her second child in 1985 that the actual negotiations to acquire the company took place. Because information services is a new venture for Pitney Bowes, Sharpe was aware that she was in a high-risk situation. "I've had to succeed," she says pointedly. "The first woman general manager *couldn't* fail."

Sharpe has been with Pitney Bowes since 1979, through a reorganization and, more importantly, since before George Harvey took over in 1983. She acknowledges that she had been passed over for some promotions and that when new management came in, she found herself back at ground zero, even though she had a good track record. "When I first interviewed with the guy who came in as my boss, I was seven months pregnant," she remembers. "I thought, 'Here I sit, the quasi-beached whale.' "

Sharpe says now, "In spite of the setbacks, no, I don't think there is a ceiling for women here. At least, I've broken through it, and the simple reason I have been able to pursue this path is because of George Harvey. Maybe I only talk to him twice a year, but for myself and other key women, he plays a very important role."

It always comes back to the CEO. Harvey traces his pro-woman stance to the recession in the early '80s, when he noticed that the people on the sales force who were willing to go the extra mile were female. "The desire to achieve and the desire to make money was real strong," he remembers. "I didn't see a comfort level set in as it does with some guys." Harvey also observed that women could focus on what needed to be done quicker than many men. Then there was the added bonus of fresh ideas. "You get a lot of ideas out of women that you don't get out of men—women think differently and have a different perspective. I was impressed by that." Adding it up, Harvey decided to go after talented women before the competition did.

"If we're going to get the best people, the people who are going to make us a success, we had better make sure that women can have careers here, not just jobs. I didn't sense that was going to happen by letting things follow a normal course." Hence the recruiting and hiring memo Harvey issued in 1984 that's known here as "the 35–15 memo."

But because George Harvey cannot stamp out sexism by decree, how well a woman fares at Pitney Bowes is primarily dependent on who runs her division. If the general manager thinks women are fine as long as they're getting the coffee, a woman will find her progress blocked. She might as well not take the job. "Working for some senior executives here would be a terrible place to start," comments one woman. "They might make the job

(continued on page 100)

NO STRINGS ATTACHED

(continued from page 104)

me clean up," he says to his mother with an accusatory giggle. My friend laughs agreeably. But then she asks me how my social life is doing.

I tell her about my last big date: We're in Disneyland, and the man I'm with becomes entranced with a tiny girl in pink overalls sitting on the Jungle Cruise ride beside us. He laughs as she laughs as the hippo rise wide-mouthed out of the river. Unwillingly, almost succumbing to the call of my genes, I like him much better and notice his good looks. Up to that point the thought of us spawning together hadn't occurred.

But I'm busy, I have things to do. On a flight back to New York City from California, I try to push the image of my Disneyland rendezvous out of my mind—that image and the recollection of Michael's picture. But fate conspires against me, as it always does against Career Women. As I'm lost in my reverie, a harried young mother and her toddler plop down in the empty seat next to mine. Clearly relieved, the mother whispers to her son, "Tell the nice lady your name." Eagerly, he does.

Bradley quickly proves a noisy little annoyance. But way before we land at Kennedy airport, he's handed me his favorite GoBot. And I've let him play with my portable computer. ■

Alexandra Peers is a New York–based reporter.

BUYER'S GUIDE

Wedding Belles—Page 68: gabardine suit and crepe de chine blouse at Saks Fifth Avenue/NYC, The Broadway/CA, Carson Pirie Scott/Chicago; gloves made to order by Carrie Bishop, 212-966-3841; necklace at Appenzeller Design/NYC. **Page 69:** sarong dress at Saks Fifth Avenue, I. Magnin, Neiman Marcus; necklace at Bonwit Teller, Bergdorf Goodman, Neiman Marcus; shoes at major department stores. **Page 70:** bustier dress and jacket at Omo Norma Kamali/NYC; flower clip made to order by Roxanne Assoulin, 212-869-5090. **Page 71:** ivory dress at Neiman Marcus, Bergdorf Goodman/NYC, Saks Fifth Avenue; earrings and bracelet at Saks Fifth Avenue; gloves by Carrie Bishop. **Page 72:** halter dress and jacket at Neiman Marcus, Bloomingdale's, Saks Fifth Avenue; turban at Omo Norma Kamali/NYC. **Page 73:** silk crepe jacket, camisole and pants at Saks Fifth Avenue, Sara Fredericks/Boston, Neiman Marcus; necklace at Appenzeller Design/NYC; shoes at Helene Arpels/NYC; handbag at major department stores; lipstick and compact case at In Tempo/Salem, MA, Roz and Sherm/MI. **After A Fashion—Page 82:** cotton swimsuit, $50, by Anne Klein Swimwear for Sirena at Rich's/Atlanta, John Wanamaker/Philadelphia, Woodward & Lothrop/Washington, D.C.; lace T-shirt, $150, by Comme des Garçons at Comme des Garçons/SoHo and San Francisco; rib tank, $140, belt, $65, and linen high-rise pants, $220, by Louis Dell'Olio for Anne Klein at major department stores.

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Opening Remarks of the Honorable Silvio O. Conte
Hearing on Women's Business Problems
May 19, 1988

Thank you. Mr. Chairman, today's hearing is the sixth and final hearing on women and business. You are to be commended for convening these hearings and for the high quality of the panelists called to testify. These hearings have been most informative and have served to establish direct lines of communication between our committee and women business owners and their organizations.

To all women business owners, I say we have heard your message and it has prompted many of us to act accordingly. I have cosponsored H.R. 1897, introduced by our distinguished chairman, and I have sent out a dear colleague urging all committee members to sign on and support the Equal Access to Commercial Credit Act - let us end commercial credit discrimination against women and minorities now, in the 100th Congress. I am also considering ideas for studies put forth by the National Federation of Business and Professional Women's Clubs. They have made some excellent suggestions and they need to be developed. Also the National Association of Women Business Owners has some very good ideas on creating an effective public/private partnership and I want to explore that further.

As is said earlier, a dialogue has been established and I believe that small business, indeed the American economy, will be better off for it.

Mr. Chairman, I look forward to the testimony of today's panelists and to future action this committee will undertake on behalf of American women owned business.

TESTIMONY

OF

BEATRICE A. FITZPATRICK
PRESIDENT AND CHIEF EXECUTIVE OFFICER
AMERICAN WOMAN'S ECONOMIC DEVELOPMENT CORPORATION
NEW YORK, NEW YORK

BEFORE THE

COMMITTEE ON SMALL BUSINESS
U.S. HOUSE OF REPRESENTATIVES

MAY 19, 1988

WOMEN BUSINESS OWNERS IN AMERICA - A PUBLIC POLICY CHALLENGE

The Problem

All over the world, countries — as diverse as many African nations, England, China, Germany, Sweden, the Soviet Union — are encouraging their citizens to become entrepreneurs. These nations see in small business the way to increase their exports and raise their standard of living — and are desperately determined to do so.

Because of this global interest in small business growth and development, the United States can no longer be complacent that our entrepreneurial foundations will automatically carry the day for us economically.

We have an entrepreneurial tradition second to none. No nation has the history of supporting creativity, initiative, freedom to dissent that we do. No other nation has drawn the oppressed people of the world to its shores with the hope of a better life and then provided them the opportunity to create one. But we are only 200 years old. And other nations look at what we have wrought, and, rightly, covet it for themselves. Japan is teaching us the cost of complacency — and we are only beginning to learn all the results of that hard lesson.

Will we — by default — also allow ourselves to lose our competitive edge in entrepreneurship?

What will we do to maintain our priority as the world's premier entrepreneurial nation? Will we ignore the fact that in this country, women — of every age, ethnic, geographic and socio-economic group — are deciding that the answer to their problems is to go into their own business — or will we help them do that successfully? Will we ignore the fact that the rate of increase in the number of women-owned businesses is three times the rate of increase in the number of male-owned businesses? Will we ignore the fact that today, 28% of all small businesses are owned by women, and that in only 12 years — by the year 2000 — one half of all small businesses in the United States will be owned by women?

Will we ignore the fact that from every direction, women are fleeing their perceived lack of equal opportunity to start their own businesses — where they can operate at the level of their talent and ability, free from artificial constraints on their authority, responsibility and reward?

That is the challenge we face, and the challenge which Congress must take up.

The wholesale migration of American women to small business ownership presents our nation with an unprecedented opportunity to create jobs, taxes, capital, business for other businesses and needed goods and services in our communities — while keeping millions of people off welfare, unemployment, old age assistance and other costly social benefit programs. It also provides the opportunity to multiply our entrepreneurial underpinnings and strengthen our entire socio-economic foundation — right into the next century.

Who are these women? They are:

- Minority women who feel the only way they can get a fair shake is to go into their own business.
- Older women who left work to raise a family — and now find themselves unable to get back into the labor force at anywhere near their level of competence — at the same time that their financial support is stripped away by the loss of their spouse through death, divorce or separation.
- Younger women who are single heads of households and find themselves simultaneously having to support and raise their children — with no outside help.

- Women who are employed and find they can not reach the level within their companies that their talent warrants in a time frame they find acceptable.

They are women of talent, ability, energy, dedication — women, who, like waves of immigrants before them — are knocking on the doors of our economic mainstream — refugees from their socio-economic past — trying to get into the business game at the level of their talent, brains, ingenuity, energy. They are every bit as motivated as any immigrants who ever hit these shores. Their own and their families lives depend on their success.

But they can't get into the business game if they don't know the rules of that game. And that is what we owe them: the opportunity to learn the rules of the game of doing business — so they become players in it at the level of their skill and ability.

In our service economy, women are mainly going into service businesses — starting from scratch, based on a skill or talent they have, finding a niche in the marketplace which they can fill, using their energy and skill as their capital, and their home as their place of business.

While they are highly skilled in the creative end of the business, they are woefully behind in the business end.

Traditionally, women have received little encouragement either at home or at school to develop the skills and attitudes required to start or run their own businesses. From their earliest years, socially, educationally, and in the business world, women are steered away from this as a career option. They are not encouraged to learn the financial, analytic and planning skills needed to become successful entrepreneurs — on the assumption that doing so is "unfeminine".

Heading your own company is seen as a masculine occupation, while helping people is considered feminine (nurse, teacher, librarian, social worker, secretary). Women are steered by their families and schools to these "Helping" professions. As a result, they do not acquire the skills of managing money and people, marketing services and products, costing and pricing, negotiating and selling, turning a profit, or managing time and resources — all essential to managing a business. And, as adults, they have been discouraged from giving up the steady income of a job to pursue the risky route of entrepeneurship for which they have been poorly prepared — both culturally and educationally. Indeed, making a profit might be viewed as "selfish" behavior by women, and contrary to the nurturing roles they have been taught to assume, even in the workplace. Firing people might be seen as "unkind," selling to people one doesn't know might be viewed as "aggressive." They have few role models to whom they can turn either for instruction or inspiration.

Of all occupations in our country, the demands of running and owning a business probably place women in the sharpest conflict with socially accepted stereotypes of "feminine behavior," and therefore require the most persistent efforts to overcome these socially induced barriers to economic equity. Yet little training of this nature has been addressed to women. For minority and and displaced women, and single heads of households, the problems described above are compounded.

It is clear that provision of adequate management training, technical assistance, and cultural support is required if small businesses owned by women, particularly minority, displaced and dislocated women, and single heads of households, are to exist, take root, and grow — as they must if the problems of this whole sector of the population are to be solved.

Women with the ability, technical knowledge and training to start and operate their own business will impact positively on their local economy as they not only provide a livelihood for themselves and their families, but also create and maintain jobs for unemployed and underemployed — mainly low income and young — people.

Either these women are provided the tools to become economically self-sufficient now, or they and their families become candidates for public financial support for years to come.

While this has long been known, neither public nor private policy have made major commitments to the kind of high quality, long-term, comprehensive management training, technical assistance, and cultural support which small businesses in general, and women-owned businesses in particular require.

The American Woman's Economic Development Corporation (AWED) was founded in 1976 to address these issues, and to help women play a more significant role in the growth of our economy. It is the only organization of its kind in the United States, providing comprehensive, high quality, long-term counseling, training, and peer group support to entrepreneurial women who wish to start or run their own business.

AWED History and Services

In 1976, the U.S. Department of Commerce Economic Development Administration (EDA) provided a grant, a first for the nation, to "develop a model entrepreneurial assistance program for women," and establish the American Woman's Economic Development Corporation (AWED). At that time, only 4.6% of all small businesses were owned by women —— who comprised 54% of the population.

After careful research, AWED determined that the greatest need women who wanted to run their own business had was for management training and technical assistance, and proceeded to develop a model management training and technical assistance program for women business owners. AWED's first training group was taught by the best professors of the Harvard Business School, who came flying down from Cambridge on a pro-bono basis to teach in it. Subsequent training groups were taught by Professors from the N.Y.U. Graduate School of Business and Wharton. Over the years, AWED learned that the best teachers of entrepreneurs are other entrepreneurs, and today, our instructors are mainly entrepreneurs. They continue to teach on a pro-bono basis.

In 1978, the U.S. Small Business Administration (SBA) provided AWED funds —— again a national first —— to "develop a model counseling program" for entrepreneurial women —— which AWED proceeded to do. Gradually, over the years, as we saw new needs for serving entrepreneurial women, we developed new programs to meet those needs.

Most recipients of our services are concentrated, naturally enough, in the Northeast. To date, AWED has provided the following services to women who come from every one of the 50 United States:

- 18,000 women have received individual counseling averaging 90 minutes each with a small business expert specially selected to meet their needs
- 19,200 women have attended 8 all day Conferences for Women in the Businesses of Fashion, Beauty, Fitness, Food and Home Fashion
- 15,000 women receive our 8 page monthly newsletter, Woman Entrepreneur
- 6,300 women have participated in various networking and special events designed to help them meet each other and be mutually supportive

- 3,500 women are members of our national networking program, American Women Entrepreneurs

- 1,900 women have participated in two management lecture series at Lincoln Center

- 1,220 women business owners have enrolled in an 18 month Managing Your Own Business training program

- 1,120 women going into or who just started their own business have enrolled in an 18 week Starting Your Own Business training program.

Most women rate the services they receive from AWED as Excellent or Good. And our success rate bears objective testimony to the quality and effectiveness of our programs. A survey of AWED graduates revealed that participants in AWED's 18 Month Managing Your Own Business Program reported a 121% increase in sales, a 72% increase in profitability, and a 75% increase in assets. 79% reported their businesses had expanded or diversified. These graduates created an average of 2.2 full-time and 2.3 part-time jobs — an over 80% increase in their employees — over the year prior to entering AWED's training program. Participants in AWED's counseling program also showed substantial gains in all these areas.

Of the thousands of women in business who had been counselled by AWED, each created an average of .5 full-time and .5 part-time jobs during her time in the counseling program. They experienced an average increase in annual sales volume of 69%. 50% related that their profitability had increased since their counseling sessions.

Of the 1,220 women business owners who have been enrolled in AWED's 18 month Managing Your Own Business training program since May, 1977, only 5 have declared bankruptcy — in an economy where 4 out of 5 small businesses fail in their first five years.

Indeed, AWED now has 35 women enrolled in its Chief Executive Roundtables — for women whose businesses gross over $1,000,000/year — almost all of whom are graduates of its earlier training programs.

At present, AWED trains and counsels approximately 2,500 women each year, and serves an additional 5,000 through conferences and lectures, 3,500 in its networking program, and 15,000 who receive its monthly newsletter Woman Entrepreneur. The organization is continuing to grow and develop new programs to meet the increasing needs of women entrepreneurs.

AWED is a not-for-profit corporation partially supported by user fees paid by women who participate in its programs. However, these fees cover a fraction of the operating and administrative costs of the corporation. As a result, AWED has developed an extensive network of support from private corporations, foundations, and individuals.

Approximately 152 private corporations have donated funds to AWED. Some of these firms have also provided pro-bono services, including supplying experienced staff at no cost for training and counseling, and giving direct assistance with legal work, public information, marketing, and advertising.

AWED has been the recipient of considerable pro-bono support from Arthur Young Inc. (auditing), Skadden, Arps, Slate, Meagher and Flom (legal), Helmsley-Spear (space and renovations), Ogilvy and Mather (advertising), and Howard J. Rubenstein Associates (public information).

AWED's counselors and teachers contribute their time and expertise; some are active, retired or semi-retired business owners; others are professionals from major businesses or corporations. Speakers at our Open Houses, Conferences and Lectures are volunteers who pay their own expenses. Counselors, training interviewers and training coordinators are all given a token honorarium in no way approaching the fair market value of their services.

There is no question that a major factor in our success is the high quality of the Board, staff and volunteers we have been able to attract.

Over the years, government funding for AWED activities has totalled $3,400,000 ($2,950,000 from EDA and SBA; $450,000 from New York State). The private sector has contributed $3,105,052 cash and $8,087,227 in donated services. Since 1981, when nominal, below-cost fees for services were instituted, participants in AWED programs have paid fees totalling $3,139,244. To date, the total public/private investment in this organization's creation, growth and development is $9,644,296 cash, $8,087,227 donated services for a total of $17,731,523.

Women all across the country need our services. In 1980, an Arthur D. Little study commissioned by the U.S. Department of Commerce recommended that AWED's programs be replicated nationally. A national survey by President Carter's Interagency Task Force on Women Business Owners found that women business owners perceived that their greatest need was for management training. Since four out of five small businesses fail in their first five years, and the major cause of small business failure is poor management, the women surveyed certainly seemed to know what they needed.

A 1980 report to President Carter from his Interagency Committee on Women's Business Enterprise said that the best way to help women in the United States succeed as business owners would be to make AWED's program available to women nationally.

In a 1984 Colloquy in the U.S. Senate, between Senators Rudman and Stevens, Senator Stevens recommended, and Senator Rudman concurred, that federal agencies make the necessary funds available to make this program available on a truly national basis over three years.

Subsequently, AWED has developed a "Proposal to Establish a Model National Management Training and Technical Assistance Program for Women Entrepreneurs Including the Development of Regional Management Training and Technical Assistance Centers in Chicago, Los Angeles, Dallas and New York." It requires $4,598,685 in SBA funds over three years. We will obtain an equal amount of cash from the private sector, and raise $1.60 in contributed goods and services for every public and private sector dollar, for a total of $14,715,792 in contributed goods and services, and a total project value of $23,913,162.

For this money, SBA and the nation will receive a program that will establish high quality, long term management training and technical assistance centers in four regions of our country: New York (which includes New York State; New Jersey; Connecticut; Eastern Pennsylvania; Rhode Island, Southwestern New Hampshire; Southern Vermont; Northeastern Maryland; Northern and Northwestern Delaware); Chicago (which includes Illinois; Northern,. Northwestern and Central Indiana; Southern and Southwestern Wisconsin; Northwestern Ohio; Southern and Southwestern Michigan; and the Western tip of Iowa); Los Angeles (which inludes Southern California) and Dallas (which includes Northwestern and Central Texas; Southern Oklahoma; Northwestern Louisiana; Southwestern Arkansas). In addition a number of programs will be nationally available: telephone counseling and hot-line; peer support; Conferences and Lectures; a national newsletter.

67,742 women will be served in a variety of training and counseling programs — all of the highest quality that exists in our nation, utilizing the best business knowledge and experience, and putting it at program participants' disposal. The federal cost of the program is $67.89/woman. A minimum of 21,125 jobs will be created or maintained. The federal cost/job created or maintained is $217.69/job — far less than any public or private job creation program of which we know.

The private sector's interest in this program is extremely high. Letters documenting financial support for AWED's national replication by major corporations have been received from AT&T, Aetna, ARCO, CBS, CIGNA, Citibank, Equitable Life Assurance Society, General Electric, Mobil, Prudential, and Xerox. The interest and support of the private sector in every Region we will serve is such that we are very confident of our ability to raise the required matching funds and donated services.

AWED is in position to launch a major public information program to announce and attract business support and participation in the project. William Phillips, Chairman and CEO of Ogilvy and Mather, has agreed to head up the drive for private sector support of this effort.

If this program were adopted, the federal government would be utilizing a major new resource for small business growth and development in our country, the large scale emergence of women as aspiring entrepreneurs — and preparing it for success. In the process, we will help turn the very high small business failure rate around.

Banks will be willing to make loans to women business owners — because their businesses will be run on a sound basis.

Contractors will fight to do business with women owned firms for the same reason.

If knowledge is power — and it is — making business knowledge available to women business owners is the best way to guarantee their success.

It is harder, and requires far greater commitment to them, than giving them money and telling them to get lost. It is also a far cheaper and more effective way to promote the permanent growth and expansion of small business in this country, of full employment and the creation of taxes to support programs, among others, for people who, for reasons beyond their control, can not be economically self-sufficient.

Do not allow women to be forced into that category. Do not deny them their American birthright to operate at the level of their ability — regardless of extraneous gender considerations. Do not lose this magnificent opportunity for our nation to mine and refine this great resource we have developed: millions of talented, determined women owning and wanting to own their own business.

Think of all the benefits these women could produce if they succeed — and guarantee that it will become possible.

Make sound business training, technical assistance, and peer group support available to women business owners nationally.

We are America's secret business weapon — and its undeniable business future.

TESTIMONY OF ESTHER SHAPIRO

To: Members of the Committee on Small Business
Congress of The United States
House of Representatives

Mr. Chairman; members of the committee: I am both honored and grateful for the opportunity to be here this morning, and to speak to you on the subject of woman entrepreneurs and their economic potential. I am pleased to be able to introduce myself to you as a woman entrepreneur, one of more than three million in our country; it's a designation I take pride in. I am heartened by the fact that every year there are thousands of women newly adopting that title. And I hope that thousands more will have the same chance because of the work of this committee.

I am reminded of how, twenty-eight years ago, at the beginning of my career, I attended my first general meeting of the Writers Guild of America. I looked around the hall at the membership present--about twenty-five hundred screen and television writers. And it didn't escape me that the vast majority were men; only a handful were women. I was young. I had, I think even then, an entrepreneurial spirit that was a gift from my immigrant parents. Or perhaps it was just the damn-fool fearlessness of youth. But, for whatever reasons, I entered what was truly a man's world without a sense of limitations. And. with my husband, Richard, I went to work.

I created stories focusing on the besieged: teenage alcoholics, battered wives, victims of racial hatred. Later, as a vice-president at ABC--one of the few female VPs at a major network at the time-- I was the executive in charge of developing such projects as Women's Room, Masada, Friendly Fire, Ike, East of Eden, Inside The Third Reich, and The Winds of War. I left the network to become co- creator, co-executive producer and, most important, co-owner of Dynasty, one of the most popular dramas in the history of television, seen weekly by an audience of a hundred and fifty millon people worldwide. During this period, I became the Sr. Vice-President of Creative and Corporate Affairs for the largest independent production company in Hollywood, with which my company was partnered. This past television season, I served as executive producer on the pilot for HeartBeat, a one-hour drama about a group of female physicians who run their own clinic. All told, I have been involved in the development of over five hundred hours of creative product.

Today, there are no longer the numerical disparities evidenced years ago; many women have begun to play important roles in the entertainment industry. To cite a few: Marcy Carsey is co-executive producer and co-owner of The Cosby Show, which has already earned more than three hundred million dollars in syndication sales, the highest in television history. Suzanne DePasse is President of Motown Productions. Sherry Lansing is co-executive producer of Fatal Attraction, a theatrical film that has grossed more than a hundred and fifty million dollars to date. Dawn Steel is currently President and head of production for Columbia Pictures...

But such success stories do not reflect the entire picture, I am afraid. There has still never been a female president of a network division, and the chances of one emerging are slim. The number of actual owners or CEOs in the entertainment business is equally disheartening. Men still decide, to a large degree, what the American public watches in movie theaters and on their television sets. This is particularly ironic in light of the fact that women comprise fifty-two to fifty-four per cent of the national population and that the eighteen to fifty-five year old female viewership is the demographic most eagerly sought by the networks and advertisers.

Two years ago, I was asked to be the keynote speaker at the annual American Women's Economic Development conference. Frankly, I didn't know what to expect. I had read, with great interest, the AWED charter, and I was fascinated with their goals and intentions. But nothing could have prepared me for what I was about to witness. Mr. Chairman, it is hard for me to relate today the feeling I got when I looked out into that gathering of nearly four thousand female entrepreneurs, sensed their dedication to the very best ideals of the American business community and felt their commitment to being a continuing and growing part of that community. I had spent much of my professional life in pursuit of that elusive commodity called a hit, and I knew almost instantly that AWED was an organizational blockbuster.

When I was asked to join the board of AWED several months later, despite the geographical distance, a husband, two children, and a production company, it was an offer I couldn't refuse. Here was an organization that paralleled my own beliefs and attempts to help women to become the best professionals they could be. Here was an organization which benefited women from every walk of life, not just those who went to Ivy League schools or were born to wealth, but those who, based on ability alone, had the potential someday to become leaders in a wide variey of fields. Here was an organization that exploded the myths and put the lie to the stereotypical attitudes that say women can't add and subtract, that they are afraid to take risks, that they're not strong enough to compete in business, that tears are a sign of instability, that women need to be taken care of by men or government. Women, by virtue of their management of the family, the household budget, the moral values of the home, were already half way to becoming good business managers. Here was an organization that trained women to market their ideas, their products, their skills; to deal with cost structures and cash flows and the complexities of business life. I had participated in the workshops and found them exhilarating. The staff was superb. And most impressive of all was AWED's stunning record of success: while the national rate of small business failures in the first five years is a disheartening four out of five, here was an organization that has had fewer than five failures for one thousand women trained. Here was an organization with a pilot program that could help women across the country to become business people; entrepreneurs; more productive Americans.

Inherent in AWED's hope for the advancement of women is our belief that our success will not be a "female" success but rather a human one. We want that success to come not at the expense of men, but rather as the result of a partnership between men and women. It is my hope that the partnership and the values that AWED espouses will be part of a new movement, one for the 1990s and beyond, which will create new possibilites for millions, men and women, who can't see their way to them now. The writer of Ecclesiastes urged that "Whatsoever thy hand findeth to do, do with all thy might." As women, we have used our hands to bathe our children, to help our husbands, to soothe the ill, to minister to the wounds of war. What we now ask is for the opportunity to use our hands to help ourselves as well.

What we are asking for from this committee, and from our country, is not a handout but a hand up.

"Give me a fish," it is said, "and I'll eat for a day; teach me to fish, and I'll eat for a lifetime." We greatly appreciate the initial help AWED has had from Congress and we have already gone into the private sector and found additional funding. But more help is needed if this program is to be expanded and if women across the country are going to be taught to fish the abundant waters of American business. Women need the continued help of organizations like AWED. And AWED needs the continued, and now extended, financial support of Congress. With that help, the story of women's entrepreneurship in the 1990s will be the accounting of a great multiplier effect through which women build on their achievements of the past to create new opportunities for themselves, for other women, for our country, for the world.

Esther Shapiro

STATEMENT

of

LAURA HENDERSON

on behalf of

THE NATIONAL ASSOCIATION OF WOMEN BUSINESS OWNERS

before the

Committee on Small Business
United States House of Representatives

May 19, 1988

Mr. Chairman and Members of the Committee, my name is Laura Henderson. I am appearing on behalf of the National Association of Women Business Owners (NAWBO). I am President and CEO of Prospect Associates in Rockville, Maryland, a health communications and biomedical research firm providing services to the federal government and private industry. Prospect employs over 150 staff; had sales of over $7 million in 1987; and anticipates sales of approximately $9 million for 1988. Prospect recently received the 1988 Maryland Award for Economic Excellence. It is my great pleasure to appear before the House Small Business Committee this morning to outline NAWBO's recommendations on issues affecting women business owners in particular as well as to direct your attention to select entrepreneurial issues affecting the entire business community. NAWBO's goal was to develop recommendations that are pragmatic, attainable, and manageable in the real business world, objectively measurable, and in keeping with the competitive spirit of free enterprise.

The mass movement of women into the work force has been hailed by social scientists and historians as a social change of momentous proportions, comparable to the industrial revolution or the waves of immigration in the last century. "It's the single most outstanding phenomenon of this century," says Eli Ginzberg, professor at Columbia University. A Business Week article attributes America's rapid economic growth in recent years to one factor: women entry into the job market as part-time, full-time, lifetime workers in virtually all occupations and at all levels of responsibility.

In the 1980s women have thus become major players in the economic fabric of the United States. Furthermore, as the country becomes more fully entrenched in the information economy, it is becoming clear that, if industrial America was a man's world, the new information economy is an era when women's economic achievements can be showcased. Thus, as we approach the 21st Century women have a unique and very important stake in business, both as owners and as employees.

Between 1970 and 1985, the female labor force participation rate increased almost 85 percent, so that 55 percent of all women now work compared with 38 percent in 1960 and only 27 percent in 1940. The Bureau of Labor Statistics estimates that in 1995, 60 percent of all women will work. Slowly but surely, women's labor force participation will move toward matching that of men, approximately 75 percent.

Women are crowding into sectors of the work force traditionally occupied by men. From 1972 to 1985 women's share of professional jobs increased from 44 to 49 percent and their share of "management jobs" nearly doubled - growing from 20 to 36 percent. From 1960 to 1983 the percentage of lawyers who are women had risen from 2 to 15 and the percentage of jobs in banking and financial management held by women had risen from 9 to 39.

The future promises yet more blurring of traditional sex roles in the work force. In the United States currently, more women than men are enrolled in college and universities, and women are earning a steadily rising share of all advanced degrees. For example, in 1983, 45 percent of those receiving accounting degrees, 36 percent of new lawyers, 36 percent of computer science majors, and 42 percent of business majors were women.

Paralleling the tremendous increase of women in the work force has been their influx into the entrepreneurial arena. In the 10 year period between 1972 and 1982, the number of businesses owned by women jumped from less than 5 percent to over 25 percent. By the year 2000, the U.S. Department of Commerce estimates that 50 percent of America's businesses will be owned by women.

In 1985, the latest year for available data, the number of women-owned non-farm sole proprietorships totaled 3.7 million - compared to 1.9 million in 1977. It is important to note that this figure does not include data on women-owned corporations and partnership. This data is not available because the federal government does not include women-owned corporations and partnerships in the Census of Women Business Owners.

Statistics do reveal, however, that women are going into business at a rate two times faster then men and are thus the fastest growing segment of the entrepreneurial community. Since the vast majority of these new female entrepreneurs enter professional and technical service businesses, their influence will continue to grow as the country shifts further away from a manufacturing-oriented economy to one that is based on services, high-technology and information.

Women-owned businesses are also making an economic impact. Receipts from women-owned non-farm sole proprietorships approximated $100 billion a year, according to the 1982 U.S. Census. However, the total economic impact of these businesses far exceeds this level if one takes into account the multiplier effect of these dollars as they turn over in the economy. Using a conservative estimate that each dollar will be multiplied 2.5 times in the local economy, women-owned businesses contribute $250 billion to the national economy. Of this $250 billion, approximately $37 billion is paid to the U.S. Treasury in federal taxes, and another $13 billion is paid in local and state taxes. Consequently, women business owners represent a vital new resource for the economic future of the country.

Women, as business owners and as employees, are having more than just an economic impact on society. Women are "neurologically more flexible than men," says Eli Ginzberg, "and they have had cultural permission to be more intuitive, sensitive, and feeling. Their natural milieu has been complexity, change, nuturance, affiliation, a more fluid sense of time." As women's attributes of feminine cultural are brought into the workplace, they are providing a much-needed balance to what has been a predominantly male environment, and slowly but steadily they are eroding some of the obsolete practices and prejudices that have dehumanized work and the work environment.

Business and industry, are in fact, beginning to give serious attention to the development of a more humanistic working environment. As the U.S. economy shifts away from smokestack production towards a greater emphasis on services and high technology, business analysts are calling for a more participative, people-oriented approach to managing. Many companies are adopting radically new management philosophies, style and structures. The predominantly hierarchical authoritarian management style is shifting to a more consultutive one in which the actors within the enterprise have real opportunities to have input on decisions.

In the services and information era, the challenge is to build an operating environment which encourages freedom, ferment, aggressiveness and innovation. One that offers opportunity for great personal satisfaction and that provides respect for all, regardless of job level. There are several ways to do this. One is to push responsibility down through the organization. To give people closest to the market or the product more say in what goes on. Another way to create this innovative environment is to break down some of the rigid organizational lines that have been established.

Women are exceptionally well qualified to manage in the information and service economy. Women favor cooperation over competition. They prefer to work in team structures where power and influence are shared more across the group, as opposed to a hierarchy where power is concentrated at the top. Women managers also tend to place strong emphasis on developing positive relationships with co-workers. Furthermore, they try to relate to employees in a more personal way than often is the case in the traditional male style.

Naturally, these qualities aren't ones that are observed equally in all women - nor are they absent in all men. The key distinction is that, as a group, women tend to exhibit these particular leadership qualities to a far greater degree than men. The reason for this is rooted in the basic facts of socialization.

Despite this record of accomplishment, women business owners confront barriers that impede their growth - barriers that were clearly delineated more than 10 years ago in the report, The Bottom Line: Unequal Enterprise in America: A Report of the President's Task Force on Women Business Ownership, 1978.

The barriers women business owners face include:

- Access to affordable commercial credit, special finance programs, and alternative methods of financing.
- Access to federal, state, and local government contracts.
- Lack of accurate data on women-owned businesses.
- Lack of effective and sustained technical assistance programs.
- Lack of public sector support through government-wide institutionalized programs.

NAWBO is particularly concerned with the barriers that face women business owners. Our concern also has a much wider perspective. We believe that women business owners can serve as an economic catalyst for entrepreneurship. To achieve this goal, NAWBO has developed a set of recommendations that will place women business owners and the entire entrepreneurial community not only inside the business and economic mainstream, but also have major implications for our country's future economic growth, job creation, productivity, international trade and enhanced competitiveness. The recommendations outlined to assist women business owners are to help this segment of the entrepreneurial community reach its full potential. As significant barriers that now exist for women business owners seeking to participate in government contracting and acquire business credit diminish, the need for some of the programs we are requesting will be no longer required and should thus be eliminated. It is my sincere belief that the recommendations put forth constitute an important agenda for action and I am proud to submit them for your consideration.

WOMEN BUSINESS OWNER RECOMMENDATIONS

As previously outlined in the oversight hearing by NAWBO President Gillian Rudd, we recommend that Congress enact legislation to mandate the establishment of a Women Business Owner Policy Council at the Department of Commerce that consists of key agencies, the White House, Congressional representation, women business associations, and individual women business owners. The Council will be responsible for creating a Women Business Owner Federal Initiative. The Initiative will include a four-year plan of action with annual targets, goals, and measurable objectives for each Federal agency to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system.

The Policy Council will have budget and staff to carry out its mandate. The mandate includes:

- Coordinate the actions of all Federal agencies and departments to facilitate, preserve and strengthen women's business enterprise.
- Develop a comprehensive Federal plan and specific program goals for women-owned businesses.
- Work with state/city/local planning bodies, such as the National Governors' Association, National League of Cities, National Association of Counties and trade associations to ensure federal/state/city/county emphasis on this issue.
- Establish agency performance goals, monitor, and report progress to Congress and the President.
- Define the programs needed by women business owners and identify the appropriate agency to develop such initiatives. Specific emphasis will be placed on: capital; procurement; high technology; data collection; international trade; technical assistance and training; the Departments of Defense and Transportation; the Office of Productivity, Technology and Innovation; the Small Business Development Corporations; and the Small Business Innovative Research Program.
- Appoint Cabinet-Level Women Business Owner Policy Task Forces:
    - -- Each Cabinet officer would appoint a Women Business Owners Policy Task Force under the Assistant Secretary for Administration to develop a 4-year women business owner action plan, with specific targets, goals and objectives for each year. The accomplishments of the goals would be included in the merit increases of federal employees. Recognizing the barriers women business owners face, restrictions on sole sourcing and other procurement incentives

will be established. There would be a sunset provision to dismantle the Task Forces if goals and objectives are reached.

- Each Task Force would include agency staff, individual women business owners and representation from women business owners groups.
- Each agency would allocate a specific portion of program budget for the implementation of model programs.
- Model programs would be funded for 3 years and through matching grants in subsequent years.
- The Task Forces would make a yearly report to the President on progress and future actions.
- The Small Business Administration would concentrate on outreach, build local constituency advisory groups, disseminate program information, play an advocacy role and establish a separate and appropriately funded women business owners office with advisory councils on policy.

PROCUREMENT

Throughout the oversight hearings, many women business owners have described their frustrations and difficulties in gaining access to the federal government procurement market. The federal government is the largest purchaser of goods and services in the United States, representing over $200 billion in purchases annually. Though women play an important role in the economy through the ownership of businesses, they received only six-tenths of 1 percent of all government purchases over $10,000 in FY 1985 and again only six-tenths of 1 percent of all government purchase over $10,000 in FY 1986.

The limited access of woman-owned businesses to federal procurements represents a loss of excellent resources to the government and a severe impediment to the viability of the female entrepreneur. It is in the best interest of the nation's economy to support women business owners as a vital entrepreneurial and economic sector. Federal policy must create a climate that supports and encourages women-owned businesses to participate in federal contracting.

NAWBO proposes the implementation of a two-phase program to assist woman-owned businesses in gaining access to federal procurements and simplify and streamline the procurement system. Phase 1 would last three years and involve actions that we believe would increase the share of federal procurements going to woman-owned firms and improve the acquisition of professional and technical services. Phase 2 would be implemented only if the proportion of awards to woman-owned businesses had not been significantly increased and was not steadily increasing three years after implementation.

Phase 2 would establish a set-aside program for all woman-owned businesses and be implemented to supplement actions taken in Phase 1. Phase 1 and 2 recommended actions are described below.

Phase 1 Actions

(1) Congress should enact legislation to mandate a Blue-Ribbon Commission on Procurement and Innovation. The Commission shall:

-- Review and recommend changes in public policy, incentives and regulations to improve, simplify and expedite the federal procurement process, so as to enhance innovation, quality and competitiveness.

-- Review the Small Business Set-Aside program in a bold and dramatic fashion to determine ways to: increase access for start-ups and smaller businesses, provide incentives for prime contractors to increase their use of smaller businesses and provide management and technical assistance to help these companies grow.

-- Create biennial contract plans that ensure set-asides are spread evenly across all procurement areas, and that specify which procurements will be set-aside.

-- In the area of services procurement, the Commission shall examine the necessity of buying quality rather than lowest cost in the procurement of sophisticated professional and technical services and R&D, as well as the importance of technical training for federal program and contracting personnel who are buying sophisticated services, so as to assure that high quality services are obtained in cases where quality is more important than cost.

(2) Professional and technical services constitute a dynamic and fast-emerging sector of the services industry, as well as a large majority of businesses owned by women. The current acquisition system was originally designed to procure hardware, and has not been effectively adapted to the challenging task of procuring sophisticated, unique professional and technical services. Moreover, federal government personnel do not understand or appreciate the waste and problems created by policies of procuring sophisticated services on the basis of lowest cost rather than quality.

-- A new, simplified acquisition system is required for contractors to continue to be motivated to offer high-quality services and to ensure the long-term benefits of high quality to the federal government. NAWBO recommends that the Office of Federal Procurement Policy (OFPP) develop and implement on a demonstration basis a simplified alternative acquisition process adapted to the procurement of professional and technical services - a process which would ensure to the government the benefits of competitively procured professional and technical services, and increase access to the procurement system for businesses of all size, including small businesses.

-- Congress and the OFPP should require technical training for federal program and contracting personnel concerning the acquisition of professional and technical services, to assure that high-quality services are obtained in cases where quality is more important than cost.

(3) Improve the procurement process for services by developing evaluation procedures ensuring a balance of cost and quality factors with legitimate "best value" as the ultimate criterion for award. This can be accomplished by establishing a special corps of contracting and procurement personnel for purchasing sophisticated technical and professional services.

(4) Revise the Standard Industrial Classification Code Size Standards to reflect the growth and contributions of the service sector the Gross National Product and the economic structure of the United States.

(5) Revise the Size Standards assigned to Major Group 87 of the Standard Industrial Classification Codes for selected professional and technical services based on reliable economic data to more accurately reflect changes in the U.S. economy.

(6) Ease the "graduation" shock that occurs when firms grow beyond their size standard and can no longer compete as a small business for set-asides in the market niches that they have captured through small business competition.

(7) Congress should enact legislation eliminating Federal competition with the private sector.

(8) Congress should enact legislation codifying OMB Circular A-76 to increase contracting-out opportunities Government wide.

(9) Congress should enact legislation prohibiting unfair competition in which non-profit tax-exempt organizations use their tax-exempt status and other advantages in selling products and services also offered by small businesses.

(10) Make interest an allowable cost for government contractors, an action that would be specifically helpful to small and entry-level businesses.

(11) Award procurements of $100,000 or less within 60 days of proposal submissions and other small business set-aside procurements within 70 days of proposal submission.

(12) The Department of Commerce should refine and continue the sponsorship of MegaMarketplace for another four years to widen the efforts to bring more women into the procurement process at all levels nationwide. Monies should be allocated for this effort and for surveys on the impact of MegaMarketplace on women business owners and procurement officials, and results in number of contracts and dollars.

(13) Revise federal agency practice to ensure both the planning and the outcome on an annual basis for the utilization of women-owned businesses as prime contractors and subcontractors across all of the

product and service industries in which they plan to procure for a given year. A mechanism should be established to ensure review and implementation of these plans.

(14) Provide financial, managerial, and technical assistance and support to woman-owned small businesses as follows:

- Model programs involving woman-owned small businesses should be established to demonstrate effective approaches for marketing to and contracting with specific agencies (e.g., Department of Defense).
- Majority women business owners should be made eligible for Minority Enterprise Small Business Investment Company (MESBIC) funding.

(15) Establish a "woman-owned small business preference procurement" model, which would preserve full and open competition by executing an unrestricted procurement but would award preference points to woman-owned small businesses.

(16) Direct all agencies to include at least one bid from a woman-owned small business for all small purchase orders under $25,000.

(17) Establish mechanisms to ensure that the quantity and quality of women-owned business participation as subcontractors under the Federal Acquisition Regulations is a real and compelling part of source evaluation and scoring by awarding preference points to bidders for utilization of woman-owned businesses. This would result in a positive, self-executing incentive for other than small businesses to build woman-owned business participation into their contract structure. To place all prime contractors on an even footing, the government should specify the level or range of women-owned business participation that they consider to be responsive on specific procurement. Also, these procurements should include explicit mandatory contract requirements for prime contractors to provide to woman-owned business subcontractors technology transfer and management training.

(18) Congress should enact legislation applying set-aside programs more evenly across all procurement areas to (1) ensure that all procurement areas are open to small, women-owned, and minority-owned businesses and (2) ensure that excellent, high-performing, growing small firms will have an opportunity to obtain a fair proportion of procurement after they exceed technical size standards.

(19) Appoint "Procurement Advocates" for women business owners in all executive agencies, as well as for the Interagency Committee on Women's Business Enterprise, to develop effective mechanisms for increasing procurement with woman-owned small businesses, to identify procurement opportunities for women-owned businesses and to review RFP's from women-owned businesses.

(20) Expand bidders lists for all agencies to include greater representation of women-owned businesses. Woman-owned firms should be retained on these lists during list rotation so that a fair and representative amount of women-owned businesses remain on the lists at all times.

(21) Institute education programs on the capabilities of woman-owned businesses for government technical and contracting staff to eliminate misconceptions about woman-owned businesses.

(22) Relate the performance appraisal of government contracting employees to their success in meeting procurement goals, management assistance, and loan approvals for woman-owned businesses. This can be coordinated in part through the employee's Personnel Office and through the award of performance evaluation points.

Phase 2 Actions

NAWBO recommends that both small and large women-owned businesses receive a more equitable share of federal procurement funds. The federal government should increase woman-business owners percent of total contract dollars one-quarter of 1 percent by FY 1990, one-half of 1 percent by FY 1991 and three-quarters of one percent by FY 1992.

Failure to achieve a steady, significant increase in federal contract dollars within 3 years of implementation would demonstrate that the barriers facing woman-owned business in trying to do business with the Federal Government are too great to overcome with actions short of a set-aside program. NAWBO recommends that if these actions fail, Congress should enact legislation creating a set-aside program for small and large woman-owned businesses. This set-aside program should draw 50 percent of its funds from non set-aside monies. Fifty percent of the set-aside funds should awarded to non 8(a) businesses.

DATA AND STATISTICS

Unfortunately, Mr. Chairman, no one has been able to testify on just how many women business owners actually exist, or on our precise economic impact. This information is not readily available because the government does not actively collect data and statistics on women-owned businesses and the industry in which most of us conduct our businesses.

As you are aware, since the end of the Second World War, the United States economy has undergone major transformations from being primarily a manufacturing economy to a services and information economy. This transformation has resulted from interactions among technological developments, systemic shifts in the structures of industries and jobs and changes in population. These rapid changes require effective management, but it is impossible to manage anything effectively if we don not understand its dimensions. While the federal government produces a multitude of statistics as disclosed in Statistical Abstracts of the United States and other reports, comparatively little information is available on economic growth, innovation and emerging sectors of the economy - the very components of entrepreneurship.

Women are playing a key role in the transformation of the economy by starting new business ventures in the services, information and high technology sectors. Despite the press attention we receive as the fastest growing segment of the business community, solid information about the nature and scope of woman-owned businesses is virtually nonexistent.

(24) To improve the national data on women business owners, Congress must establish initiatives to ensure the regular collection of reliable national data on women business owners and further revise and update the Standard Industrial Codes to reflect the dynamic changes in the service sector, including the professional and technical services industry, where such a large percent of women business owners are concentrated.

(25) Congress should enact legislation directing the federal executive branch to create a dynamic new classification system as a successor to the Standard Industrial Classification Codes, which will reflect the services, information and high technology sectors, and which will evolve with the continuing growth and transformation of the American economy.

(26) The Bureau of Labor Statistics should include in its Census of Women-owned Businesses those women who own regular corporations partnerships, not just sole proprietorships.

(27) The Administrator of the Office of Federal Procurement Policy should compile accurate statistics on the participation of women-owned businesses in government procurement, including minority and nonminority women-owned firms in the contracting and subcontracting procurement process.

(28) All government agencies with responsibilities for education and training for private sector business management should be instructed to collect data that will identify female/male participation ratios in all government-sponsored and cosponsored education and training programs and to monitor and evaluate such programs to determine their impact on women.

(29) Congress should enact legislation to mandate a privately-funded commission should be created to study the changing American economy--specifically the services, information and high technology sectors--and make recommendations with regard to appropriate federal legislation and regulation which will promote growth and competitiveness in these areas, and enhance synergy with the manufacturing, extractive and agriculture sectors.

ACCESS TO CREDIT

Access to credit as a means of obtaining necessary financing for start-up costs and business growth has been reported as a major problem faced by small businesses throughout the United States. The inability to obtain commercial credit is especially problematic for young businesses which have not established a financial track record and have not accumulated sufficient assets to qualify for the business financing they need under traditional bank evaluation procedures. Businesses in the service sector, no matter how promising, often face particular difficulty in obtaining commercial credit because usually they possess few tangible assets to which a bank could look for collateral.

Women-owned businesses are overwhelmingly in the service sector of the economy. Accordingly, the difficulty of obtaining credit for a small, service-oriented business has a disproportionate impact upon women. In addition, systemic discriminate places the average American woman at a disadvantage in competing for capital for her enterprise. A woman's traditional position in the work force has limited not only her management experience, but also her income and the amount of collateral she has been able to amass. The problem is even more serious for minority and divorced women.

(30) The Congress should enact legislation to ensure equal access to commercial credit for all small businesses, and to ensure that women and minorities are not discriminated against in the granting of commercial credit.

(31) NAWBO supports H.R. 1897 introduced by Reps. John LaFalce and Lindy Boggs. This bill permits the exemption of business loans from the broad scope of the Equal Credit Opportunity Act of 1974 (ECOA) and Regulation B only if the Board holds a formal hearing and finds that the application of the ECOA or particular provisions thereunder to particular classes of business transactions is not necessary to promote equal credit opportunities. However, NAWBO favors even a stronger amendment to the ECOA that does not permit the Federal Reserve to exempt business credit at all from any protection afforded consumer credit, rulemaking, periodic review, and discretion.

(32) Expand the bank examination process to examine for compliance with the ECOA's prohibition against sex discrimination in business lending and to include data collection on commercial loans granted or denied to women business owners.

(33) Adopt a specific affirmative action program to help women business owners overcome traditional lending practices that limit their access to financing.

(34) Develop a rating system to be incorporated into the examination and implementation of the Community Reinvestment Act to measure the impact of the lender's loan practices toward satisfying the credit needs of women business owners.

(35) Sponsor educational programs instructing lending institutions how to review loan packages for soft asset companies based on cash flow analysis, rather than asset-based financing.

(36) Congress should enact legislation to revise the conservatism of the SBA 7(a) guaranteed loan program and develop new policy that reflects the borrowing needs of today's economy to include soft asset loans, particularly for women business owners.

(37) **Improve the quality and information about small business growth in the United States by expanding the County Business Pattern data to include women-owned status and business type, sole proprietorship, partnership or corporation.**

(38) **Enact legislation authorizing the implementation of a national Capital Access Program and a National BIDCO Program for women business owners, on the models being developed so successfully in Michigan.**

ENTREPRENEURIAL RECOMMENDATIONS

Today, the leadership of the Small Business Committee has the responsibility for defining the shape and thrust of policy that will guide America's entrepreneurial community into the 21st century. This will be no easy task. Currently, business organizations, both large and small, are facing a series of changes more extensive and more far-reaching in implications than anything since the "modern" industrial system took shape in the years between 1890 and 1920. These changes in the American business environment come from several sources, including: the continued integration of the world economy; further shifts of production from goods to services; the application of advanced technologies to most industries; faster gains in productivity, particularly in services; disinflation or deflation in world prices; and increased competition in product, service and labor markets.

Furthermore, as our country struggles with complex and far-reaching problems in such areas as the federal deficit, competitiveness, our decaying infrastructure, AIDS, education, a slowdown in the U.S. population, as well as the aging of the baby boom generation, work force training and retraining, childcare and care for the elderly, and the growing gap between the haves and haves nots, it is imperative that Congress, the President, and the private sector unite in a common mission and press for solutions to these major national problems and challenges we face as a country.

The mission to rebuild America so our nation will be strong and sure as we enter the twenty-first century requires:

(39) Federal policies which encourage savings and investment, as well as strategic investments in America's long-neglected infrastructure, including lowering the capital gains tax rate.

(40) A coordinated campaign and partnership by business, labor, education, churches, and other non-profits, as well as governments at all levels, to combat substance abuse and AIDS in America.

(41) An initiative emphasizing the importance of excellence in education at all levels, including lifelong retraining to ensure competitiveness in the new global economy.

NAWBO would like to thank Chairman LaFalce and all the members of the House Small Business Committee for holding oversight hearing on issues affecting women business owners. The House Small Business Committee is at the forefront in conceptualizing and shaping public policies that unleash the creativity of capitalism and open new vistas of innovation and opportunity; that train our work force of today and tomorrow for constantly evolving jobs of the future; that transcend narrow interests and national borders; that foster trade and the spirit of international cooperation; and that strengthen the fabric of society and enhance our quality of life.

NAWBO hopes, and trusts, that Chairman Lafalce and all the members of the House Small Business Committee will continue to provide such vision and leadership as Congress addresses the challenges facing America's businesses, work force and citizenry as we stride into the twenty-first century.

THE ABACUS STORY

Feminists in the Marketplace Tell Their Story

Produced As a Matter of Public Record by Abacus, Inc.

Abacus, Inc. is a 100% women-owned company.

547 Frederick Street, San Francisco, CA 94117 (415)759-9508

INTRODUCTION

The Abacus story, and the personal stories of individual owners and managers of the company, are being told, as part of the Public Record, in order to establish that Abacus has experienced a pattern of sexist treatment due to age/gender bias and that this pattern of discrimination has constituted a social and economic disadvantage to the company and to the individuals involved.

The social and economic disadvantages experienced by the company have been chronic. Representatives of the company, for instance, have experienced discrimination at the company's local bank although, in its entire fifteen year history, Abacus has never bounced a check or defaulted on an invoice.

Abacus, Inc. is a small, 100% women-owned, start-up company specializing in desktop communications and microcomputer connectivity. The company offers a wide range of services for its corporate accounts including equipment sales, applications training, systems consulting, graphics production, and commercial printing. The ownership and staff of Abacus, Inc. believe that, as women entrepreneurs, they have had to work harder, wait longer, manage with fewer dollars, and be content with smaller operations just to maintain their present levels of independence and business success.

The U.S. House of Representatives Small Business Committee recently made a bold and far-sighted recommendation with respect to the patterns of sexist discrimination which are still prevalent in the marketplace. According to *Time* magazine, July 4, 1988, "The Committee is recommending that the Government take several steps to help women entrepreneurs, from giving them more loans to making it easier for them to get federal contracts. The House Small Business Committee asserts that the increase in the number of companies owned and managed by women may be the "most significant economic development of recent years...Women-owned businesses have become a central factor in the American economy and will become even more crucial in the years ahead."

Time magazine adds, "The Committee also found, however, that women business owners still face considerable difficulties, especially in gaining access to commercial credit and bidding on government contracts. In addition, contends the committee, women need better technical and managerial training to ensure the growth of their enterprises."

Why are women the most significant economic development of recent years? *Time* magazine says "Whether big or small, enterprises begun by women are having an increasingly significant impact on the U.S. economy. Their revenues are estimated to be more than $100 billion per year. They pay about $37 billion in federal taxes and $13 billion in state and local taxes annually. Female-owned firms tend to be small and their numbers are rapidly growing. They are expected to be a major source of new jobs in coming years. The Small Business Administration estimates that companies with fewer than 500 employees created about two thirds of all new jobs in the U.S. from 1980 through 1986."

The Small Business Administration expects that, by the end of this century, one half of all self-employed people will be women. Most companies started by women specialize in fashion, food, and other areas traditionally viewed as women's work. This, however, is not true of Abacus. Since its beginning, the company has entered and performed successfully in traditionally male fields such as gardening, cab driving, offset printing, and microcomputer technology. The ownership and management of Abacus, Inc. believe that Abacus is precisely the kind of company which the House Small Business Committee wishes to help. The stories contained in this submission have been written by individual owners and management personnel. On behalf of Abacus, and companies like Abacus who have had to work twice as hard to get half as far as their white male counterparts, the following document is submitted to the public record for formal review.

Personal Experiences with Age and Gender Discrimination During My Association with Abacus, Inc.

Lee Tulp
Marketing Director and Corporate Secretary

Incident #3–Gender and Age Discrimination

On Friday, June 24, 1988 at 11:15 a.m., Shari Tresky and I went to our Wells Fargo Bank branch at 725 Irving Street for the purpose of establishing a "Special Collections Account," or "blocked account," for Abacus, Inc. This was the most critically important financial transaction in the company's history. We had just secured financing from ITT Commercial Credit that would enable us to comfortably finance the rapid growth our company was experiencing in value-added systems sales for Macintosh equipment. Not only was the financing arrangement the most important move our company had made to date (representing months of hard work to set up), it also came at an extremely critical point in the company's relationship with Apple Computer, Inc.

Apple Computer is the single most important company in Abacus' business picture. Abacus derives almost all of its income from sales of equipment, training, consulting, and/or production work directly connected to Apple and its community of third party developers. Ironically, it came at the precise time that Abacus was putting the finishing touches on an application and business plan submission to Apple Computer that would significantly expand and deepen the relationship between Apple and Abacus. The submission was due Monday morning and represented the most important strategic opportunity that our company had ever received.

The ITT financing, in and of itself, would enable us to continue on our current, rapidly escalating growth curve. The new relationship with Apple would enable Abacus to expand its sales even more dramatically, probably 400% in the first year alone. A key element in the submission to Apple Computer was the secure knowledge that the ITT financing was securely in place, including having the actual account set up. Abacus had no more lead time available and had to respond very quickly. In its fifteen-year history, never had the company been at this kind of critical "make or break" point.

Top management at ITT assured us that setting up this kind of account was a very simple transaction. None of its clients had experienced any difficulty whatsoever. Since this transaction was of such importance to the company, since we wanted Wells Fargo, as our banker, to be apprised of the exciting developments in our company, since we understood that it might be a somewhat unusual account, and since Abacus had suffered a seemingly endless trail of what appeared to be administrative incompetence and what was definitely tremendously inconvenient, we asked to speak with the branch manager directly.

The branch manager did agree to see us--for about two minutes. She was coldly polite but took no interest in our situation whatsoever. She immediately told us that the bank would have to take three weeks to research the situation before making a determination, that she was going on vacation, and that Mr. O'Dell Williams would help us instead. It appeared that she could hardly wait to get rid of us and go on to "important" things rather than waste her time with young girls who really couldn't be doing any serious business worth her time or courtesy.

Abacus, in fact, had never bounced a check, had held three accounts at the bank for the past year with a combined average balance of between $50,000 and $100,000, and, in general, had done nothing to represent a problem to the bank. In fact, anyone looking at the numbers could tell that Abacus was an exciting growth company worth watching. Instead, the branch manager would not give us the time of day. In fact, her reception was decidedly chilly. There is no way that white, middle-aged men dressed in business suits would have been treated so rudely. The branch manager would certainly have done everything possible to give male business clients the reassurance that the bank was swiftly proceeding through all necessary channels in order to successfully work out this important transaction inside the requisite time frame.

Mr. O'Dell Williams, who was given the task of dealing with us even though he had only been at the bank for two days and knew nothing of our account whatsoever, was also polite but chilly in his reception. Neither he nor the branch manager showed any signs of appreciating the significance of the transaction even though it was explained to them several times. The name of our contact person, an ITT executive, was also offered to them on five separate occasions so that they could check with him for background. That offering was patently ignored each time it was offered. The branch manager told Mr. Williams to telephone Judy, a paralegal in the legal department downtown. We were left unattended for about a half an hour while the phone call was made.

When the answer came back from Judy, it was a firm "no." No valid reason, however, was given. The bank's only response was that they didn't want to open the account for us because, in the past, we had wanted to deposit checks made out to Abacus's retail store, Utopian Technology (with its own dba). We have always requested that our customers make checks payable to "Abacus, Inc." On occasion, however, customers make checks payable to the name of an Abacus division, such as Utopian Technology. This problem was cleared up and successfully solved by opening up a second savings account in the name of Utopian Technology.

Achieving that, however, came only as the final result of another tale of woe. Wells Fargo treated our company representatives with contempt and utter condescension during this entire earlier process. An Abacus representative had to have more than one verbal confrontation with the branch manager before the branch manager would accept Abacus's valid dba's and open an account accordingly. Finally, our persistence was able to solve the problem. All that Abacus wished to do was to deposit money into the bank; Wells Fargo, on the other hand, was irrationally behaving as if Abacus representatives were troublemakers and one step above street urchins. No other explanation other than a pattern of age and gender discrimination could explain the chronic and longstanding treatment received by Abacus at the Wells Fargo branch at which it was an excellent customer.

Although Mr. Williams, and even Judy from the legal department, acknowledged that the dba/deposit issue was not a current problem, it was still cited as a stumbling block. Moreover, no other specific obstacle was cited. Several times we pointed out that they were "mixing apples and oranges" but to no avail. No intelligent or courteous response was forthcoming.

I experienced a mix of very strong emotions. First, I was forced into a position of feeling absolutely powerless. I am an intelligent, strong woman but, in this case, Wells Fargo held all of the cards and I held none. The experience of being helpless in potentially disastrous circumstances was both infuriating and terribly frightening. Fifteen years of hard work on the part of the company as a whole, and eleven years of hard work on my part personally were on the verge of collapsing simply because people in control at the Wells Fargo branch had adopted a prejudicial attitude about our firm that was based solely upon age and gender. I was appalled at the possible consequences of the treatment we were receiving. I was also thoroughly humiliated to be forced into an audible conversation in a public place in which I was having to beg to be treated seriously.

The embarrassment and degradation was even more acute when it came to informing our ITT representative that we were unable to successfully open the account. Wells Fargo bank had already opened an identical account for another ITT client in the same financing program. We had spent a great deal of time winning the trust and esteem of ITT. We were representing ourselves correctly as dynamic, seasoned businesswomen, a true representation of our skills, talents, and background. Wells Fargo, however, sent back a loud and clear message that we were not a truly a company worthy of respect. Why should ITT take us seriously when our our branch bank refuses to do so?

The potentially devastating effects on Abacus's two most important business relationships is not possible to assess at this time. The application and business plan submission to Apple Computer was necessarily submitted on Monday morning without having the ITT financing firmly in place. It is entirely possible that the most important strategic opportunity in the company's history has been ruined.

Subsequently, Abacus has approached another bank about opening the special blocked account. Although this bank has had no prior dealings with Abacus, the entire transaction was handled, with the utmost grace and efficiency, inside a half an hour. Though the new banking relationship promises to a highly successful working partnership, it cannot undo the deleterious effects of not having the financing when we needed it. Time was of the essence and our own bank prevented us from moving appropriately. The sharp contrast between the behavior of the two branch banks, both located in our neighborhood, demonstrates that the treatment we received had absolutely nothing to do with the nature of the account or with the nature of Abacus, Inc. In fact, it demonstrates that it had nothing to do with rational reasoning at all.

I am certain in the knowledge that it would have been impossible for white middle-aged men in business suits to have received the prejudicial treatment which my associate and I received as young, casually dressed women. It was an experience shattering to my self-esteem and sense of dignity. It is difficult to feel any pride in your accomplishments when they are summarily dismissed and trampled upon by institutions which we are taught to respect and accord a measure of authority. Bearing the brunt of blatant age and gender discrimination is an appalling and infuriating event, destructive of personal morale and self-confidence. More importantly, this particular event is irreversible and potentially destructive to the future growth of our successful women-owned small business.

STATEMENT OF

CAROL THOMPSON
PRESIDENT, COMPUTERLAND

Mr. Chairman, members of the committee on Small Business, my name is Carol Thompson. I am the President of ComputerLand of Austin, Texas and co-owner of CompuRent, a computer rental business in the same city. Thank you for the opportunity to testify before you regarding my Computer Rental business and the issue of equal access to credit .

In Austin, Texas in January 1985, there was no computer rental business. Another woman, who had experience with computers, and I decided to embark on such a business. In order to purchase computer inventory, we pooled $25,000 of our savings and purchased computers.

We marketed our concept via daily newspaper ads, word of mouth, and in the various groups to which we belonged--Chambers of Commerce and women's business groups. In our first year of business, we were pleased and amazed that our market plan was a valid one. Our business grew as did our inventory from the $25,000 worth of computers initially to approximately $125,000 worth of computers at the end of year one. We were showing $13,000- $15,000 profit monthly at the end of the year! People were using these computers for weekend projects, additional short term office projects, travel projects, rent-to-buy options and long-term rentals available for some grant projects.

We were exceptionally pleased with our progress and already had purchase orders for long-term rentals which would necessitate more capital. As our business was located adjacent to ComputerLand we had the fortune to meet a banker who said he had money to loan but his initial appointment was with ComputerLand. We later set up an appointment with this same banker to review CompuRent financials and then to ask for a loan to accommodate purchase orders for rentals, The banker appeared positively impressed with our financial statement, growth status and unique business in Austin, He took the paperwork to review and later called to say that if my husband, Larry Thompson, Computerland's Chief Financial Officer would sign, we could indeed have a loan.

Needless to say, we were not happy or agreeable to this bank's conclusion. My partner and I then sought out a bank which we heard had many women in upper management. They listened to our plan, reviewed our financial statement, commented humorously that perhaps the bank should be into rentals and gave us the requested loan. This loan has always had timely payments. Our staff has increased and we are seeking out a second location in Austin, Texas even in the face of Texas' depressed economy.

CompuRent and ComputerLand both have survived in a very difficult Texas business market. I personally am very involved in networking for business, but it will be a long time before a "good ole girl" network rivals the "good ole boy" network in this location. The National Association of Women Business Owners has provided initial groundwork for leads and mentoring. I am chair-elect of the Women's Chamber of Commerce of Texas which also is developing a broad-based agenda for women's specific issues. Who has money to lend? Where are the best bids pending and how to be on the list? Who are key people to align oneself with to develop business prospects?

I am also on the board of the Austin Chamber of Commerce which is made up of thirty-seven men and five women. Here I chair the Small Business area whose members total eighty percent of this ninth largest chamber in the United States. Again we are trying to strengthen the backbone of America's business, namely small business. These exciting plans currently are on our agenda here. One plan is being conceived with the University of Texas and begins with a May 11th workshop on " The Role of Risk Capital Networks in Emerging Companies". Another chamber plan is to involve a large committee of key people who will evaluate local, statewide, national, and international sources of financing. We plan to do an indepth study of regular banks, venture capitalists, investment institutions and any other resources which can strengthen our business arena. Lastly, the Austin Chamber's small business sector is embarking on a "Buy Austin" program to keep our procurement dollars here. Current estimates show three out of four dollars leave Austin, We aim to change that with a broad-based program which will help both small business and large business.

Women, as you know, are now admitted to Rotary, I am one of six women in Austin's seventy-five year old Rotary with a membership of four hundred men. Business alliances are slowly being formed in this area also. This is an environment which will allow women to interact faster and with more credibility in the business world, I believe.

In conclusion, my initial negative experience with equal access to credit has caused me to be much more aware of what makes successful businesses work. I have learned not to take no for an answer but to positively persevere all avenues open to me. I am convinced that women business owners, who are increasing now 3 to 5 times the national average, are and shall continue to be a vital force in reshaping the face of America. Witness the success of the National Association of Women Business Owners.

Lastly, I hope my sixteen year old daughter will never have to hear, "If a man signs this bank note, the loan is yours."

Thank you for this opportunity to speak up for the many women who have been denied and continue to be denied equal access to credit!

Carol Thompson
CompuRent
3201 Bee Caves Rd
Austin, Tx. 78746

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Reprinted from—Federal Register / Vol. 44, No. 100 / Tuesday, May 22, 1979 / Presidential Documents

Presidential Documents

Executive Order 12138 of May 18, 1979

Creating a National Women's Business Enterprise Policy and Prescribing Arrangements for Developing, Coordinating and Implementing a National Program for Women's Business Enterprise

In response to the findings of the Interagency Task Force on Women Business Owners and congressional findings that recognize:

1. the significant role which small business and women entrepreneurs can play in promoting full employment and balanced growth in our economy;

2. the many obstacles facing women entrepreneurs; and

3. the need to aid and stimulate women's business enterprise;

By the authority vested in me as President of the United States of America, in order to create a National Women's Business Enterprise Policy and to prescribe arrangements for developing, coordinating and implementing a national program for women's business enterprise, it is ordered as follows:

1–1. *Responsibilities of the Federal Departments and Agencies.*

1–101. Within the constraints of statutory authority and as otherwise permitted by law:

(a) Each department and agency of the Executive Branch shall take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system.

(b) Each department and agency shall take affirmative action in support of women's business enterprise in appropriate programs and activities including but not limited to:

(1) management, technical, financial and procurement assistance,

(2) business-related education, training, counseling and information dissemination, and

(3) procurement.

(c) Each department or agency empowered to extend Federal financial assistance to any program or activity shall issue regulations requiring the recipient of such assistance to take appropriate affirmative action in support of women's business enterprise and to prohibit actions or policies which discriminate against women's business enterprise on the ground of sex. For purposes of this subsection, Federal financial assistance means assistance extended by way of grant, cooperative agreement, loan or contract other than a contract of insurance or guaranty. These regulations shall prescribe sanctions for noncompliance. Unless otherwise specified by law, no agency sanctions shall be applied until the agency or department concerned has advised the appropriate person or persons of the failure to comply with its regulations and has determined that compliance cannot be secured by voluntary means.

1–102. For purposes of this Order, affirmative action may include, but is not limited to, creating or supporting new programs responsive to the special needs of women's business enterprise, establishing incentives to promote business or business-related opportunities for women's business enterprise, collecting and disseminating information in support of women's business enterprise, and insuring to women's business enterprise knowledge of and ready access to business-related services and resources. If, in implementing this Order, an agency undertakes to use or to require compliance with numerical set-asides, or similar measures, it shall state the purpose of such measure, and the measure shall be designed on the basis of pertinent factual findings of discrimination against women's business enterprise and the need for such measure.

1-103. In carrying out their responsibilities under Section 1-1, the departments and agencies shall consult the Department of Justice, and the Department of Justice shall provide legal guidance concerning these responsibilities.

1-2. *Establishment of the Interagency Committee on Women's Business Enterprise.*

1-201. To help insure that the actions ordered above are carried out in an effective manner, I hereby establish the Interagency Committee on Women's Business Enterprise (hereinafter called the Committee).

1-202. The Chairperson of the Committee (hereinafter called the Chairperson) shall be appointed by the President. The Chairperson shall be the presiding officer of the Committee and shall have such duties as prescribed in this Order or by the Committee in its rules of procedure. The Chairperson may also represent his or her department, agency or office on the Committee.

1-203. The Committee shall be composed of the Chairperson and other members appointed by the heads of departments and agencies from among high level policy-making officials. In making these appointments, the recommendations of the Chairperson shall be taken into consideration. The following departments and agencies and such other departments and agencies as the Chairperson shall select shall be members of the Committee: the Departments of Agriculture; Commerce; Defense; Energy; Health, Education, and Welfare; Housing and Urban Development; Interior; Justice; Labor; Transportation; Treasury; the Federal Trade Commission; General Services Administration; National Science Foundation; Office of Federal Procurement Policy; and the Small Business Administration. These members shall have a vote. Nonvoting members shall include the Executive Director of the Committee and at least one but no more than three representatives from the Executive Office of the President appointed by the President.

1-204. The Committee shall meet at least quarterly at the call of the Chairperson, and at such other times as may be determined to be useful according to the rules of procedure adopted by the Committee.

1-205. The Administrator of the Small Business Administration shall provide an Executive Director and adequate staff and administrative support for the Committee. The staff shall be located in the Office of the Chief Counsel for Advocacy of the Small Business Administration, or in such other office as may be established specifically to further the policies expressed herein. Nothing in this Section prohibits the use of other properly available funds and resources in support of the Committee.

1-3. *Functions of the Committee.* The Committee shall in a manner consistent with law:

1-301. Promote, coordinate and monitor the plans, programs and operations of the departments and agencies of the Executive Branch which may contribute to the establishment, preservation and strengthening of women's business enterprise. It may, as appropriate, develop comprehensive interagency plans and specific program goals for women's business enterprise with the cooperation of the departments and agencies.

1-302. Establish such policies, definitions, procedures and guidelines to govern the implementation, interpretation and application of this order, and generally perform such functions and take such steps as the Committee may deem to be necessary or appropriate to achieve the purposes and carry out the provisions hereof.

1–303. Promote the mobilization of activities and resources of State and local governments, business and trade associations, private industry, colleges and universities, foundations, professional organizations, and volunteer and other groups toward the growth of women's business enterprise, and facilitate the coordination of the efforts of these groups with those of the departments and agencies.

1–304. Make an annual assessment of the progress made in the Federal Government toward assisting women's business enterprise to enter the mainstream of business ownership and to provide recommendations for future actions to the President.

1–305. Convene and consult as necessary with persons inside and outside government to develop and promote new ideas concerning the development of women's business enterprise.

1–306. Consider the findings and recommendations of government and private sector investigations and studies of the problems of women entrepreneurs, and promote further research into such problems.

1–307. Design a comprehensive and innovative plan for a joint Federal and private sector effort to develop increased numbers of new women-owned businesses and larger and more successful women-owned businesses. The plan should set specific reasonable targets which can be achieved at reasonable and identifiable costs and should provide for the measurement of progress towards these targets at the end of two and five years. Related outcomes such as income and tax revenues generated, jobs created, new products and services introduced or new domestic or foreign markets created should also be projected and measured in relation to costs wherever possible. The Committee should submit the plan to the President for approval within six months of the effective date of this Order.

1–4. *Other Responsibilities of the Federal Departments and Agencies.*

1–401. The head of each department and agency shall designate a high level official to have the responsibility for the participation and cooperation of that department or agency in carrying out this Executive order. This person may be the same person who is the department or agency's representative to the Committee.

1–402. To the extent permitted by law, each department and agency upon request by the Chairperson shall furnish information, assistance and reports and otherwise cooperate with the Chairperson and the Committee in the performance of their functions hereunder. Each department or agency shall ensure that systematic data collection processes are capable of providing the Committee current data helpful in evaluating and promoting the efforts herein described.

1–403. The officials designated under Section 1–401, when so requested, shall review the policies and programs of the women's business enterprise program, and shall keep the Chairperson informed of proposed budget, plans and programs of their departments or agencies affecting women's business enterprise.

1–404. Each Federal department or agency, within constraints of law, shall continue current efforts to foster and promote women's business enterprise and to support the program herein set forth, and shall cooperate with the Chairperson and the Committee in increasing the total Federal effort.

1–5. *Reports.*

1–501. The Chairperson shall, promptly after the close of the fiscal year, submit to the President a full report of the activities of the Committee hereunder during the previous fiscal year. Further, the Chairperson shall, from time to time, submit to the President the Committee's recommendations for legislation or other action to promote the purposes of this Order.

1-502. Each Federal department and agency shall report to the Chairperson as hereinabove provided on a timely basis so that the Chairperson and the Committee can consider such reports for the Committee report to the President.

1-6. *Definitions.* For the purposes of this Order, the following definitions shall apply:

1-601. "Women-owned business" means a business that is at least 51 percent owned by a woman or women who also control and operate it. "Control" in this context means exercising the power to make policy decisions. "Operate" in this context means being actively involved in the day-to-day management.

1-602. "Women's business enterprise" means a woman-owned business or businesses or the efforts of a woman or women to establish, maintain or develop such a business or businesses.

1-603. Nothing in subsections 1-601 or 1-602 of this Section (1-6) should be construed to prohibit the use of other definitions of a woman-owned business or women's business enterprise by departments and agencies of the Executive Branch where other definitions are deemed reasonable and useful for any purpose not inconsistent with the purposes of this Order. Wherever feasible, departments and agencies should use the definition of a woman-owned business in subsection 1-601 above for monitoring performance with respect to women's business enterprise in order to assure comparability of data throughout the Federal Government.

1-7. *Construction.* Nothing in this Order shall be construed as limiting the meaning or effect of any existing Executive order.

Jimmy Carter

THE WHITE HOUSE,
May 18, 1979.

[FR Doc. 79-16185
Filed 5-18-79; 3:35 pm]
Billing code 3195-01-M

Federal Register
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Monday, June 27, 1983

Presidential Documents

Title 3—

The President

Executive Order 12426 of June 22, 1983

President's Advisory Committee on Women's Business Ownership

By the authority vested in me as President by the Constitution and laws of the United States of America, and in order to establish, in accordance with the provisions of the Federal Advisory Committee Act, as amended (5 U.S.C. App. I), an advisory committee on women's business ownership, it is hereby ordered as follows:

Section 1. *Establishment.* (a) There is established the President's Advisory Committee on Women's Business Ownership. The Committee shall be composed of no more than 15 members appointed or designated by the President. These members shall have particular knowledge and expertise concerning the current status of businesses owned by women in the economy and methods by which these enterprises might be encouraged to expand.

(b) The President shall designate a Chairperson from among the members of the Committee.

Sec. 2. *Functions.* (a) The Committee shall review the status of businesses owned by women; foster through the private sector, financial, educational, and procurement support for women entrepreneurs; and provide appropriate advice to the President and the Administrator of the Small Business Administration on these issues.

(b) The Committee shall submit reports to the President on a periodic basis.

Sec. 3. *Administration.* (a) The heads of Executive agencies shall, to the extent permitted by law, provide the Committee such information as it may require for purposes of carrying out its functions.

(b) Members of the Committee shall serve without compensation for their work on the Committee. However, members appointed from among private citizens of the United States may, subject to the availability of funds, be allowed travel expenses, including per diem in lieu of subsistence, as authorized by law for persons serving intermittently in the government service (5 U.S.C. 5701–5707).

(c) The Administrator of the Small Business Administration shall, to the extent permitted by law, provide the Committee with such administrative services, funds, facilities, staff and other support services as may be necessary for the performance of its functions.

Sec. 4. *General.* (a) Notwithstanding any other Executive Order, the functions of the President under the Federal Advisory Committee Act, as amended, except that of reporting to the Congress, which are applicable to the Committee, shall be performed by the Administrator of the Small Business Administration, in accordance with guidelines and procedures established by the Administrator of General Services.

(b) The Committee shall terminate one year from the date of this Order.

Ronald Reagan

THE WHITE HOUSE,
June 22, 1983.

[FR Doc. 83-17428
Filed 6-24-83; 10:43 am]
Billing code 3195-01-M

Editorial Note: The President's remarks of June 22, 1983, on signing Executive Order 12426, are printed in the *Weekly Compilation of Presidential Documents* (vol. 19, no. 25).

THE Hub Co-ventures
for Women's Enterprise

30 Irving Place
9th Floor
New York, New York 10003
(212) 505-2090

Jing Lyman, FOUNDER

Testimony Prepared by
Jing Lyman, President
Hub Co-ventures for Women's Enterprise, Inc.

for the

US House of Representatives Small Business Committee
Representative John LaFalce, Chair

May 9, 1988

US HOUSE OF REPRESENTATIVES SMALL BUSINESS COMMITTEE TESTIMONY
Representative John La Falce, Chair

Thank you for this opportunity to present testimony on the issue of women's access to credit, the constraints on their entrepreneurial potential, and how we can be responsive to this potential. For almost five years Hub Co-ventures for Women's Enterprise, Inc. (HUB) has been working in the United States and abroad to promote an environment in which women of all ages, cultures and economic levels can develop their full potential for self-employment, entrepreneurship and job creation. HUB encourages a particular focus on the often-unrecognized resources of low-income women and women of color through:

- o Networking and coalition-building across diverse constituencies,
- o Training programs, lectures and forums that build capacity for women's successful business ownership,
- o Community education,
- o The resources of an information clearinghouse and publications, and
- o Assistance with community economic development for women.

HUB has developed a series of tools and a process by which local communities can obtain standardized information about a depth of women's business ownership and entrepreneurial activity never before assessed. Whether "the community" identifies itself as an entire state, as in the case of the relatively rural states of Maine and New Hampshire, a metropolitan area, as in the case of Newark, Essex County, or a contained urban city-limits focus, as in Philadelphia, the results of the information gathered are overwhelmingly consistent. Based on responses to the HUB Women Business Owner's Survey, the HUB Support Services Survey (which collects information through one-on-one interviews on the training/technical assistance, financial services, and day-care offered to all business owners in a given community) and the variety of forums held locally both for women business owners, and those women with an active interest in self-employment, we already know the following:

- o Women of all economic levels, cultures and ages can and do start successful businesses.

- o There is an almost total lack of accessible support services sensitive to the significant entrepreneurial qualifications of women.

- o The demeaning of women's business activity -- resulting from issues of scale, location, timing and their own isolation and lack of self-confidence -- severely undercuts the potential productivity of these businesses.

- o Women need to determine for themselves the environment and scale at which they can operate most effectively, given their personal life situations and their caregiver roles.

To bring these points home in relation to the issue of access to credit I share quotes from reports about Philadelphia and the state of Maine. These statements are reinforced by all of HUB's work and that of all direct service providers who work to enhance women's entrepreneurial productivity.

> Philadelphia: "Capital is seldom available from traditional sources: family, friends and associates may not be in a position to offer assistance, particularly in the case of low-income women. In addition, conventional lenders shun small deals (less than $10,000) due to the transaction costs and do not finance start-up businesses. Government funded loan programs favor larger enterprises. To compound this, women often have no visible credit rating or collateral, and often they don't know how to speak business language.
>
> "Only 20% of survey respondents had applied for a bank loan. This is consistent with bank lenders' impression that women represent a small percentage of commercial applications, and usually less than 10-20% of loan recipients. Survey respondents cited these common reasons for not applying:
>
> - o 14% were discouraged by loan officers
> - o 15% could not meet collateral, equity or credit requirements
> - o 26% said the loan amount needed was too small

"Our survey indicated that success in financing was also tied to marital status: 72% of married respondents who applied for a loan received one, in contrast to only 38% of single loan applicants.

"The types, location and relatively small scale of many women's businesses make it difficult for them to meet the minimum loan size and collateral requirements of most conventional lenders. Given that their work experience is predominantly in the service sector, women are less likey to start manufacturing or other kinds of businesses with fixed assets (e.g., equipment) which can serve as collateral. They are also less likely to own personal assets outright." (See Final Report to Atlantic Richfield Foundation...below.)

Maine: "Almost one-third of the survey respondents started their businesses with less than $1,000, and another twenty-six percent with between $1,000 and $5,000. Thirty percent reported bank participation in their financing, while government loans were a factor in one percent of the cases. Personal savings were the largest source of start-up capital; family earnings a factor in twenty-two percent of the cases; and extended family members in twelve percent of the businesses.

"A reliance on personal resources or networks for start-up capital can limit the ability of women to enter small businesses. Women, in general, have earned less and accumulated fewer assets than their male counterparts. Thus, they face the dilemma of having less ability to generate their own capital and less likelihood of attacting any.

"The problem is even worse for women who are low-income. The survey demonstrates that small business is an option for poor women. Eighty percent of the survey respondents reported having received some form of social assistance." (See Testimony on Behalf of Women Business Owners... below.)

I append to these quotes the full reports from which they were taken, in addition to a variety of materials from HUB's work that reinforce their conclusions and recommendations.

Thank you for the opportunity to share our extensive insights on women's potential for self-employment.

Jing Lyman

D

U.S. GOVERNMENT

Interagency Committee on Women's Business Enterprise

1441 L Street N.W.
Washington, D.C. 20416

MEMORANDUM FOR HEADS OF AGENCIES AND DEPARTMENTS

FROM: SUSAN E. PHILLIPS
CHAIRMAN
INTERAGENCY COMMITTEE ON WOMEN'S
BUSINESS ENTERPRISE

Enclosed is a Model Training Program my Committee has developed for use by the novice woman business owner who wants to do business with the Federal government. I would appreciate your recommending its use whenever a woman-owned firm requests procurement information from your Small and Disadvantaged Business Utilization Office (OSDBU).

I have taken the liberty of enclosing a directory of all OSDBU Directors and their agency affiliation, which I commend as part of your agency's handout material, together with a one page handout entitled "How to Learn What the Government Buys." I believe these three documents will assist the novice through the bureaucratic maze that more often than not has acted as a discouragement for women business owners. Women-owned business firms have not been competing for Federal contracts in the numbers we had anticipated. We hope the enclosed reference material will help improve the statistics in the future. I want you to know I appreciate your assistance in this matter of mutual concern.

Model Training Program Guidelines for Women Business Owners Selling to the U.S. Government

Step 1 Trade associations and women business owners should become familiar with the types of goods and services each Federal agency acquires, the location at which they are bought, and the total dollar volume of purchases in any given area. Virtually every Procurement Headquarter's Office or Small and Disadvantaged Business Utilization (OSDBU) Office in each agency or department maintains such a list or can direct you to the source materials. Write to each agency in which you may have an interest. A good starting point to collect relevant information regarding the agency's mission is its "Annual Report to Congress." Most agencies will provide the annual report without charge. Additionally, the small business specialist at each field office can often provide guidance regarding your firm's prospects for doing business with the field office. There are also quarterly and annual procurement reports each agency maintains in pursuit of goals negotiated with the Small Business Administration. Summary data on procurement actions for the preceding fiscal year are also available and are useful in approximating spending levels.

Step 2 Once a woman business owner determines that a Federal agency represents a viable market, she can increase the likelihood of finding specific procurement opportunities by getting on the agency's solicitation mailing list. The application consists of Standard Form 129 (enclosed) which requires a description of the company and specific information regarding products and/or services provided by the firm. Apply to each Federal agency active in your field of interest by writing to the Headquarters Procurement or Small Business Office closest to your business or in cases of large Federal agencies, the field or regional office. You can find the appropriate addresses in the Federal Government Section of your local telephone book. To further assist you, the Small Business Administration (SBA) maintains a Procurement Automated Source System (PASS) and the Minority Business Development Agency (MBDA) maintains a "Profile" system. These systems are used by many Federal agencies to supplement their in-house lists and all women-owned firms are invited to be included in these systems. For further information on how these two government wide lists may assist your business, write or call the nearest SBA District Office or MBDA office. (MBDA "Profile" is limited to minority-owned companies.)

If your firm markets a standard commercial product likely to be used by many Federal agencies, you should be sure your products are included on the Federal Supply Schedule. For those application procedures you must contact the nearest General Services Administration Business Service Center.

Step 3 Inclusion on the solicitation mailing list will entitle you, in most cases, to be placed on the agency's source list for the goods and/or services for which you have expressed an interest. To avoid being dropped from the agency's SF-129 listing, periodically stay in touch with the office to whom you mailed your application. This will demonstrate a continuing interest in solicitations. Update your application on file as the need arises.

One note of caution at this point, do not assume that because you are listed in an agency's mailing list system you will be notified of every procurement in your field of interest. At times there are more firms in an agency's source system than are needed to achieve adequate competition and the agency may rotate its source list to give each firm a fair chance at procurement opportunities. Make a point to review the

Commerce Business Daily (CBD) each working day for specific solicitations issued by all Federal agencies and request copies of those solicitations that appear to be of interest to you. Generally, all procurements over $25,000 are synopsized in the CBD. Subscriptions may be obtained from the Superintendent of Documents, Government Printing Office, Washington, DC 20402 at a cost of $243. This is the current first class price and is subject to change. This publication is available in most public libraries.

Step 4 Perhaps the most productive technique for identifying potential procurement opportunities in any Federal agency is via direct contact with agency personnel. There are two categories of specialists you must get to know. The first is an administrative type called a Small Business Specialist; the other is a technical type in charge of a specific procurement requirement often referred to as the "requiring office." It is a must to contact the Small Business Specialist first. In many of the smaller Federal agencies, especially in the area of research and development where long range planning is necessary, you may have some difficulty meeting technical personnel without first contacting the Small Business Specialist. Most large Federal agencies like DOD, NASA, and GSA welcome inquiries and encourage discussions between technical personnel and company representatives. Often this is accomplished directly by contacting the agency in question or the Small Business Office, which will arrange such meetings or respond to written inquiries. It is desirable to have the Small Business Specialist at any meeting with technical personnel since they can follow-up either through further discussions or can help you furnish additional information requested by the technical office.

Step 5 Finally, there are various procurement workshops that each Federal agency itself conducts each year to acquaint small business owners with the various programs it administers. You should write or phone the Small Business representative of the agency where your principal interest may be to find out the particulars of these training workshops. This is an excellent way to match a potential agency requirement with the skills and expertise your business possesses. There are several excellent large-scale workshops conducted annually in Washington, DC, where most of the Federal agencies are represented. These include the MegaMarketplace Symposium for women business owners in the Spring (In 1987, a MegaMarketplace was held on the east coast in April and the west coast in May); the National Small Business Week conducted by SBA in May; and the Minority Enterprise Development Week (MED Week) in October. These offer training workshops in the form of question and answer discussions on a variety of marketing and procurement topics as well as agency-operated booths with detailed literature on the procedures and programs administered by each agency. Invariably a procurement or small business specialist from every Federal agency is in attendance. Such functions are a must for the newly initiated women business firms attempting to do business in the Federal market place.

HOW TO LEARN WHAT THE GOVERNMENT BUYS

If you are a small business person who would like to do business with the Federal Government and your previous attempts have been less than productive, here are some tips that may be helpful:

1. Obtain a subscription to the *Commerce Business Daily* (CBD). The CBD is a daily list of U.S. Government procurement invitations for bid, subcontracting leads, surplus-property sales and foreign business opportunities. It is the means by which Government agencies make their needs for research, goods and services known to the world at large. Anyone who is serious about doing business with the Government should subscribe to it and read it daily. A subscription currently costs $173 a year via second class mail or $243, via first class mail. Send your order and check to the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402.

2. Order a copy of the *U.S. Government Purchasing and Sales Directory,* ($5.50) from the Government Printing Office, Washington, DC 20402. This book lists the goods and services commonly purchased by the Government. It also tells which agencies buy which products and how to contact their procurement offices.

3. Visit the nearest office of the Small Business Administration. Their counselors should be able to tell you which Government agencies are your best prospective customers. While you are there get a Standard Form 129, Bidder's Mailing List Application, and find out how to get on an agency's or department's "bidders" list.

4. Contact the General Services Administration's Business Service Center in your area. GSA acts as the purchasing agent for many items of equipment and supplies used by the Government. They also have counselors who help business people make their way through the maze of departments and agencies involved in procurement. These centers are located in Atlanta, GA; Boston, MA; Chicago, IL; Denver, CO; Fort Worth, TX; Houston, TX; Kansas City, MO; Los Angeles, CA; New York, NY; Philadelphia, PA; San Francisco, CA; Seattle, WA; and Washington, DC.

5. When you do zero in on a particular agency or department, find out who the program or project officers are who buy the services or product that your company sells. Personally call on these people and follow up your initial calls. Stay in touch. Successful marketing is hard work. It requires strategy, perseverance and a steady, aggressive marketing plan.

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Congress of the United States
House of Representatives
100th Congress
COMMITTEE ON SMALL BUSINESS
2361 Rayburn House Office Building
Washington, DC 20515

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MAJORITY—225-5821
MINORITY—225-4038

AREA CODE 202

April 19, 1988

Dear :

The House Committee on Small Business has scheduled a series of oversight hearings on the subject of women's business enterprise. These hearings will begin on April 26, 1988. One of the subjects which the Committee will be addressing will be government policies and programs which affect women business owners.

In connection with these hearings and the development of a complete hearing record which will permit the Congress to develop appropriate recommendations or legislation, it is requested that you supply the Committee with answers to the following questions:

1. Executive Order 12138 requires that each Federal department and agency "take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system." Please identify every initiative your agency has undertaken pursuant to this executive order, the impact of the initiative, the office responsible for the initiative, your assessment of the success or failure of each, and your recommendations for future initiatives.

2. Please supply the Committee with the following information for each of the last four years:

   a. the number, total dollars, and relative percentages such figures represent for all contracts awarded by your agency to women-owned businesses identifying separately awards made pursuant to section 8(a) of the Small Business Act;

b. the efforts made by your agency to ensure that women-owned businesses appear on government bidders lists and are being forwarded solicitation packages for contracting opportunities;

c. total dollar amount of subcontracting commitments made by large prime contractors with your agency and efforts to encourage primes to utilize women-owned small business concerns.

3. If your agency makes grants or loans, please supply the following information for each of the last four years:

a. the number, total dollars, and relative percentages such figures represent for all such grants or loans made to women-owned businesses;

b. efforts made by your agency to encourage the participation of women in grant and loan programs.

4. If your agency has programs relating to, or regulatory authority over, the provision of commercial credit, in any form, describe any initiatives undertaken by the agency, or subject to its programmatic or regulatory authority, that are directed toward women business owners or that may be more likely to affect such owners in any significant way. In your response, please detail such program or authority and provide such statistical or other data that may serve to describe the efforts of your agency.

5. Please list all types of data within the control of your agency regarding women-owned businesses indicating the usage that your agency has for such data, the sufficiency of the data, its reliability and any improvements in data collection, retrieval or usage planned or desired by the agency to better assist its efforts in this area.

In order for the Committee to prepare effectively for these hearings, I would appreciate receiving your answers to the above questions no later than May 2, 1988.

Sincerely,

JOHN J. LaFALCE
Chairman

JJLlfvp

Honorable Frank C. Carlucci
Secretary
Department of Defense
Washington, DC 20301-1155Mr. Secretary

Honorable George P. Shultz
Secretary
Department of State
Washington, DC 20520Mr. Secretary

Honorable James A. Baker III
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Department of the Treasury
Washington, DC 20220Mr. Secretary

Honorable Donald P. Hodel
Secretary
Department of Interior
Washington, DC 20240Mr. Secretary

Honorable Richard E. Lyng
Secretary
Department of Agriculture
Washington, DC 20250Mr. Secretary

Honorable C. William Verity
Secretary
Department of Commerce
Washington, DC 20230Mr. Secretary

Honorable Ann McLaughlin
Secretary
Department of Labor
Washington, DC 20210Madam Secretary

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Department of Health and Human Services
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Washington, DC 20420Mr. Administrator

Honorable Lando W. Zech, Jr.
Chairman
U.S. Nuclear Regulatory Commission
Washington, DC 20555Mr. Chairman

MAY 02 1988

DEPARTMENT OF AGRICULTURE
OFFICE OF ASSISTANT SECRETARY FOR ADMINISTRATION
WASHINGTON, D.C. 20250

APR 27 1988

Honorable John J. LaFalce
Chairman
Committee on Small Business
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Your April 19, 1988, letter to Secretary Lyng was referred to me for a response. We responded to your inquiry in the following sequential order:

1. **Executive Order 12138 requires that each Federal department and agency "take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system." Please identify every initiative your agency has undertaken pursuant to this executive order, the impact of the initiative, the office responsible for the initiative, your assessment of the success or failure of each, and your recommendations for future initiatives.**

    a. The Department of Agriculture was one of the first agencies to publish procurement regulations (February 20, 1980), that included goals for women-owned businesses. The regulations stipulate that the procuring agency will establish aggressive women-owned business goals based on the annual review of advance procurement plans. The impact of this initiative has been increased procurement dollars to women-owned businesses and based on that fact alone we believe it has been a successful initiative. The Small and Disadvantaged Business Utilization (SDBU) Office was responsible for this initiative.

    b. On April 4, 1984, a Secretary's Memorandum 9700-1 was issued to all of USDA 's procuring agencies. The purpose of the memorandum is to emphasize and encourage Federal sector efforts that will improve government services to women business owners and assure equitable procurement opportunities (See Exhibit I).

    c. An Assistant Secretary for Administration's Special Achievement Award has been established as an incentive to our procurement employees to enhance the contract opportunities for small and disadvantaged businesses (including women-owned) in doing business with the Department. The overall impact has been the addition of women-owned businesses to our agencies' source lists and publicizing the agencies and firms involved in the award process. The SDBU Office was responsible for this initiative. This also has proven to be a successful initiative because the Assistant Secretary for Administration gives a plaque to the deserving agency, a photographer takes pictures, top level management is present and a reception culminates the event.

d. We conduct procurement assistance reviews of our major procuring agencies to determine if regulations and policies concerning small, minority, 8(a), women-owned and LSA have been initiated and are understood. During the course of the review, we check the agency's goal achievement in the preference program areas, source lists, publications and conduct mini training sessions when appropriate. The impact of the initiative has been better communication between our SDBU Office and our field agencies and an ongoing learning experience for all involved. The SDBU Office was responsible for this initiative. This initiative has proven to be successful because we can monitor whether the agency has met its goals, developed source lists, maintained publications and if additional training is necessary.

e. The SDBU Office participates in outreach seminars, conferences and trade fairs that are centered entirely around women-in-business. Further, we counsel and refer women to the contract or program personnel in the agencies that can utilize their particular products or services. We also suggest that they identify themselves on their Standard Form 129, Solicitation Mailing List Application, as being women-owned; this enables the Department to keep accurate records. The impact has been the addition of literally hundreds of women to our source lists. The SDBU Office is responsible in part for this initiative and the remaining credit goes to the various organizations requesting our participation. This has been a successful initiative because we can meet and counsel large numbers of women at one time and acquaint them with the procedures for doing business with the Department.

f. We have developed a fact sheet on women-owned businesses and the purpose of the fact sheet is to briefly answer a few of the most frequently asked questions by women entrepreneurs. The impact of this initiative has been a handy and convenient tool to distribute during conferences, mass mailings, etc. which helps to reduce the office's work load. The SDBU Office was responsible for this initiative. We believe this has been a successful initiative because we get repeated requests from our constituents for additional copies.

g. As for future initiatives, we are currently engaged in a project called Minority and Women Business Enterprise Enhancement Program (MAWBEEP). This program is concerned with the participation of minority and women-owned businesses in the procurement and program opportunities of the Department. We are attempting to get program officials just as active relative to program participation as the procurement officials are with regards to procurement participation. Towards encouraging commitment and creativity among USDA program officials, we began a process to involve agencies in considering ways to enhance program participation by minority and women-owned businesses. We have asked our agencies to do the following:

1. to consider providing participation plans, goals, and achievements by specific program areas rather than just agency summaries;

2. to consider disseminating information and providing technical assistance to minority and women-owned businesses to increase their ability to participate in USDA's programs; and

3. to give special recognition to agency employees, minority and women-owned businesses as well as majority businesses that have made outstanding contributions to program participation and related third-party contracting and subcontracting.

As part of this process, we are having the second annual observance on July 28, 1988. We hope to have a dynamic key note speaker at the 10:00 a.m. opening program, with the participation of our Secretary, Deputy, Under and Assistant Secretaries. During the program, we will present special awards and our agencies, major corporations and trade associations will have exhibit booths around the patio. Our affair will close with a catered reception on the patio.

2. Please supply the Committee with the following information for each of the last four years: (A) the number, total dollars, and relative percentages such figures represent for all contracts awarded by your agency to women-owned businesses identifying separately awards made pursuant to section 8(a) of the Small Business Act; (B) the efforts made by your agency to ensure that women-owned businesses appear on government bidders lists and are being forwarded solicitation packages for contracting opportunities; and (C) total dollar amount of subcontracting commitments made by large prime contractors with your agency and efforts to encourage primes to utilize women-owned small business concerns.

   a. See Exhibit II. In this particular exhibit we indicated percent of total procurement and percent excluding commodities because food commodity purchases continue to dominate our statistics and heavily influence the achievement of all our procurement preference program goals. Commodities are purchased by our Agricultural Stabilization and Conservation Service (ASCS), in support of P.L. 480, Title II and through the price support activities of the Commodity Credit Corporation. ASCS purchases large quantities of grains, oils, processed cereal products, and dairy products which have limited small business participation. Other food purchases are made by the Agricultural Marketing Service (AMS), in support of the National School Lunch Program and other nutritional feeding programs. AMS purchases meat, poultry and canned fruits, vegetables and juices. Meat and poultry products are purchased biweekly in large quantities and while there is small business participation, the dollar value is limited because of plant and production capacity. More than sixty percent (60%) of our total procurement budget is tied to the commodities area.

   b. See responses in 1 b, c and d above.

c. We track our subcontracting data from the Standard Form 295, Summary Subcontracting Report. This is a standard federal form which needs, to be revised to include women-owned business in the commitments section.

3. **If your agency makes grants or loans, please supply the following information for each of the last four years: (A) the number, total dollars, and relative percentages such figures represent for all such grants or loans made to women-owned businesses; and (B) efforts made by your agency to encourage the participation of women in grant and loan programs.**

a. The Farmers Home Administration administers a Business and Industrial Loan Program (B&I).

Listed below are B&I data for the last four years.

FISCAL YEAR	NUMBER OF TOTAL LOANS	NUMBER OF LOANS TO WOB	TOTAL DOLLAR AMOUNT	DOLLAR AMOUNTS TO WOB
1984	73	- 0 -	$124,352,250	- 0 -
1985	49	3	61,337,500	$3,411,000 (5.5%)
1986	35	- 0 -	54,802,600	- 0 -
1987	67	2	95,699,770	2,084,000 (2.1%)

During a telephone conversation with Mrs. Lavonne French on April 22, 1988, she indicated these figures should not include statistics related to farming.

b. We also have the Small Business Innovation Research (SBIR) Program. Our Cooperative State Research Service agency administers this program (See Exhibit III). Unfortunately, we only have statistical data for women since Fiscal Year 1985. Listed below are the SBIR data for the last three fiscal years.

FISCAL YEAR	NUMBER OF GRANTS	NUMBER OF WOB GRANTS	TOTAL DOLLARS	TOTAL DOLLARS TO WOB
1985	34	3	$3,150,946	$312,296 (9.9%)
1986	43	1	3,555,845	144,000 (4.0%)
1987	35	1	3,505,971	49,165 (1.4%)

c. In order to encourage the participation of women in grant and loan programs, we attend and participate in state meetings and conferences. We have publications which describe in detail the B&I Loan and SBIR Programs.

4. If your agency has programs relating to, or regulatory authority over, the provision of commercial credit, in any form, describe any initiatives undertaken by the agency, or subject to its programmatic or regulatory authority, that are directed toward women business owners or that may be more likely to affect such owners in any significant way. In your response, please detail such program or authority and provide such statistical or other data that may serve to describe the efforts of your agency.

   This particular one is not applicable to us.

5. Please list all types of data within the control of your agency regarding women-owned businesses indicating the usage that your agency has for such data, the sufficiency of the data, its reliability and any improvements in data collection, retrieval or usage planned or desired by the agency to better assist its efforts in this area.

   We receive quarterly computer print-outs which indicate number of contracts and dollar amounts to women-owned businesses. In addition, we maintain capability statements and solicitation mailing list applications in our agency. This information is used to make reports to the Small Business Administration, other agencies, etc. and to use when making referrals to our various sources. The SDBU Office is in the process of establishing information regarding our capability statements and solicitation mailing list applications.

Hopefully, this information will assist you with your upcoming hearings.

Sincerely,

John Franke jr

JOHN J. FRANKE, JR.
Assistant Secretary
for Administration

Enclosures

EXHIBIT I

UNITED STATES DEPARTMENT OF AGRICULTURE
OFFICE OF THE SECRETARY
WASHINGTON, D. C. 20250

April 6, 1984

SECRETARY'S MEMORANDUM 9700-1

Women-Owned Businesses

1 PURPOSE

To emphasize and encourage Federal sector efforts that will improve government services to women business owners and assure equitable procurement opportunities.

2 RESPONSIBILITY

The President has established a National Initiative Program on Women's Business Ownership. One of the program's components is the White House Interagency Committee on Women's Business Enterprise. The Committee will promote, coordinate and monitor Federal sector efforts on behalf of women business owners.

The Department has been a strong advocate for women entrepreneurs interested in contracting opportunities with USDA. In Fiscal Year 1983, our women-owned business goal was $17 million, and we achieved $36 million, an increase of 211 percent over our projection. Each USDA agency with procurement authority is charged with the responsibility of continuing and furthering our efforts on behalf of women business owners.

3 SCOPE

On June 20, 1983, the President stated "Small business is the gateway to opportunity for those who want a piece of the American dream. One of the most exciting trends in our country is the surge in numbers and size of women-owned businesses. Almost 3 million women-owned businesses bring about $40 billion a year - a solid contribution to the health of our economy at every level of society." The President further directed the U.S. Small Business Administration (SBA) to develop and conduct conferences for women who are owners of their own businesses or hope to be in the future. [redacted] conferences in major cities throughout the country which have a large representation of women-owned businesses. Three successful conferences have already been completed.

DISTRIBUTION: 97

OPI: OSDBU

4 **SPECIAL INSTRUCTIONS**

a To comply with the President's initiative, I appointed the Deputy Assistant Secretary, Marketing and Inspection Services, as the Department's representative to the White House Interagency Committee on Women's Business Enterprise.

b This Administration encourages all agencies to fully cooperate with SBA by participating in as many of the conferences as possible.

c The Office of Small and Disadvantaged Business Utilization is coordinating the Department's effort at the conferences and will be contacting the agencies in the near future.

d Your support of these conferences and the Department's women-owned business goals would be an excellent way to demonstrate agency backing for the President's initiative.

John R. Block

SECRETARY OF AGRICULTURE

EXHIBIT 2

U.S.Department of Agriculture
Women-Owned Business Achievements
Fiscal Years 1984 through 1987

	FY 1984	FY 1985	FY 1986	FY1987
W.O.B TOTAL DOLLARS	27,877,000	40,381,000	32,320,000	38,784,000
Percent of Total Procurement	1.6 %	2.0 %	1.5 %	[illegible]
Percent Excluding Food Commodities	3.8 %	5.2 %	3.0 %	[illegible]
W.O.B. NUMBER OF ACTIONS	751	706	734	817
Percent of Total Procurement	4.3 %	3.9 %	3.8 %	4.3 %
Percent Excluding Food Commodities	5.1 %	4.8 %	4.5 %	5.3 %
8(a) W.O.B. TOTAL DOLLARS	4,580,000	8,894,000	6,342,000	13,898,000
Number of Actions	33	59	90	93

DT/cf

THE SECRETARY OF COMMERCE
Washington, D.C. 20230

MAY 02 1988

IVED

MAY 5 1988

Committee on Small Business

Honorable John J. LaFalce
Chairman, Committee on Small Business
House Of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter regarding women's business enterprise.

The Department of Commerce is proud of its work in support of women's business ownership. In fact, our Assistant Secretary for Administration, Kay Bulow, was named Women Business Owner Advocate of the Year in 1985 by a national women's group. Commerce's initiatives, among the most effective in the Federal Government, are so extensive that I have enclosed a chronology of the significant activities and achievements. Since the signing of Executive Order 12138, the Department has increased employee awareness of women's business enterprises through the commitment of key personnel. Our management efforts are supported by administrative policies and procedures that require program and procurement personnel to make effective use of available reference materials for identifying women's businesses.

The Department also created new reference resources from the MegaMarketplace series of national business conferences. As co-convener of the conferences, together with state and local government, Commerce brought government and industry together with women business owners. The conference directories provide not only government personnel with information about additional businesses that can meet their agency's needs, but also inform women of who is buying what in both the public and private sectors.

Finally, we successfully use small purchasing as a way to introduce businesses to our buying needs and to the Federal contracting system. I think you will agree that the Department of Commerce's achievements in the promotion and use of women's businesses are significant ones.

Thank you for the opportunity to tell you about our program.

Sincerely,

C William Verity
Secretary of Commerce

Enclosure

75 Years Stimulating America's Progress ★ 1913-1988

Enclosure

1. Initiatives in response to Executive Order 12138.

- August, 1979 to June, 1981 - The Department of Commerce (DOC) assigned a business specialist to design and establish a program for women business owners in the OSDBU. Responsible organization: Office of Small and Disadvantaged Business Utilization

- January, 1980 - Published The Guide to the U.S. Department of Commerce for Women Business Owners. Responsible organization: Office of Business Liaison

- April, 1980 - Published A Directory of Federal Government Business Assistance Programs for Women Business Owners. Responsible organization: Economic Development Administration

- June, 1980 - Contributed to Annual Report to the President, 1980. The report, prepared by an Interagency Committee on Women's Enterprise, outlined the efforts made by the Federal Government to support Executive Order 12138. To quote from the report, "Only SBA and the Department of Commerce had developed any programs specifically related to women business owners." Eighteen Commerce Department offices reported on efforts and initiatives in support of the Executive Order. Responsible organization: Office of Business Liaison

- October, 1980 - Women-Owned Businesses 1977 and Selected Characteristics of Women-Owned Business 1977 published by the Bureau of the Census. The census of women-owned businesses is conducted every five years to obtain basic economic data on businesses owned by women. Responsible organization: Bureau of the Census

- October, 1983 - Published ASK US, a listing of U.S. Department of Commerce programs to aid women business owners; one of our most popular publications. Responsible organization: Assistant Secretary for Administration

- January, 1984 to Present - Assigned a Women's Business Specialist to OSDBU to manage Commerce Women's Business Program. DOC is the only Federal agency with this full-time position. Responsible organization: Assistant Secretary for Administration

- March, 1984 - Organized a marketplace for a White House conference for women business owners. Responsible organization: Assistant Secretary for Administration

- August, 1984 - Outreach to 10,000 women-owned businesses in an effort to enhance the SBA Procurement Automated Source System (PASS). Responsible organization: Assistant Secretary for Administration

- August, 1984 - DOC members of Interagency Committee on Women's Business Enterprise (IACWBE) initiated a study of PASS in an effort to improve its response to women business owners. Responsible organization: Intergovernmental Affairs

- September, 1984 - IACWBE published *Women Business Owners: Selling to the Federal Government*, a 65 page handbook. Responsible organization: Intergovernmental Affairs

- October, 1984 - IACWBE produced a series of one day procurement conferences for women in 17 cities on how to sell to the Federal Government. Responsible organization: Intergovernmental Affairs

- October, 1984-1987 - Featured minority women business owners at Minority Enterprise Development Week event. Responsible organization: Assistant Secretary for Administration

- February, 1985 - *Business America*, a DOC publication, featured an examination of the growing role of American women in international business. Responsible organization: International Trade Administration

- April, 1985 to present - Industry Advisory Committees for Trade Policy, a cooperative effort of several Commerce offices, continues to target business women with international trade experience to serve on these important committees. Responsible organizations: Assistant Secretary for Administration

- May, 1985 - A low cost and successful forum for women business owners was organized by the (OSDBU). The capabilities of 150 businesses were matched with DOC program officers having budget authority. Each attendee had at least two private interviews with a DOC official. Responsible organization: Assistant Secretary for Administration

- May 1985 [redacted]25, [redacted] Business [redacted] was distributed to heads of contracting offices. It states that "All Department purchasing and contracting offices are asked to take affirmative action to assist women-owned businesses in securing a fair proportion of the Department's procurements. The new policy will insure that women-owned firms are included on each procurement mailing list and that all prime contractors will include women-owned firms on their vendors lists for each requirement." Responsible organization: Assistant Secretary for Administration o June, 1985 - Participated in a trade mission for women in the service industries to London, Frankfurt and Madrid. Responsible organization: International Trade Administration

o June, 1985 - Attended a World Congress of Women Business Owners in Madrid along with women from 18 nations. Responsible organizations: Assistant Secretary for Administration and Intergovernmental Affairs

o July, 1985 - Assistant Secretary for Administration, Kay Bulow, was named 1985 Women Business Owner Advocate of the Year by the National Association of Women Business Owners as a result of her leadership at the Department of Commerce. Responsible organization: Assistant Secretary for Administration

o September, 1985 - DOC published an annotated bibliography of literature related to women business owners. This was an effort to prevent duplication of efforts in research; to provide a research source for writers and women's program planners; and to insure that statistics on women entrepreneurs are maintained. Responsible organization: Assistant Secretary for Administration

o September, 1985 - The Department published a directory of women business owners that was given to all contracting offices and to key persons in the public and private sector. Responsible organization: Assistant Secretary for Administration

o October, 1985 - Outreach to 25,000 women business owners, continuing the effort to add to the PASS data base. There are now 28,000 women-owned firms profiled in PASS out of the total of 143,604 businesses in PASS. Responsible organization: Assistant Secretary for Administration

o October, 1985 - DOC participated in women's business conferences in Kansas City and Syracuse. Responsible organization: Assistant Secretary for Administration

o January, 1986 - Special efforts were made to include women in the DOC Small Business Innovation Research Program. Responsible organization: Assistant Secretary for Administration

o May, 1986 - [illegible] and sponsored MegaMarketplace, a national procurement conference for women business owners, in Washington, D.C. Computer matched attendees with a government buy list and provided specially designed workshops for the particular needs of women-owned small businesses. Responsible organization: Assistant Secretary for Administration o May, 1986 - Published directory containing business profiles of women attendees at MegaMarketplace. Also included were listings of Federal, prime contractor, state and local government purchasing and program officials. Responsible organization: Assistant Secretary for Administration

o August, 1986 - Special efforts were made to include women in the White House Conference on Small Business. Responsible Organization: Assistant Secretary for Administration

o April, 1987 - Sponsored, and continued as lead agency for, a **second MegaMarketplace** procurement conference for 1,000 women in Washington, D.C. Half of the attendees were minority. Published a directory featuring all conference attendees. Responsible organization: Assistant Secretary for Administration

o May, 1987 - **a third MegaMarketplace** conference was held in Los Angeles and a directory was published. All directories were distributed to contracting offices. Responsible organization: Assistant Secretary for Administration

o September, 1987 - A compendium of the two 1987 MegaMarketplace directories was published and distributed to all participants and public and private sector purchasing offices. It is now in its second printing. Responsible organization: Assistant Secretary for Administration

o August, 1987 - **Published 1982 Characteristics of Women-Owned Businesses.** As part of its economic census, the Census Bureau examines how women began their business, where they got their money, their age, marital status, etc. Responsible organization: Bureau of the Census

o Continuing efforts - The OSDBU routinely provides listings of women business owners for contracting and program contracts and opportunities to showcase goods and services for women business owners from all areas of the country.

The Office of Business Liaison (OBL) offers monthly briefings for National Association of Women Business Owners (NAWBO) members featuring DOC programs and services. OBL attends monthly NAWBO meetings and includes NAWBO leadership in all mailings concerning Commerce activities.

Our assessment of each of these initiatives as individual efforts and as a whole is that they achieved their purposes very well. As you can see from the statistics below, we have achieved considerable progress by increasing general awareness of the availability of women's businesses to meet our procurement needs, and through our efforts to bring buyers and sellers together in effective marketplace settings.

2. (a) Women-owned Business Contracting Information

	Number of Actions	Total Dollars	Percentage of Total Contracts
FY 85	145	$ 7.0 million	2.2%
FY 86	193	13.1 million	3.4%
FY 87	196	20.0 million	5.4%
FY 88*	100	10.2 million	5.0%

*(2 Quarters data)

Women-owned 8(a) Contracting Information

	Number of Actions	Total Dollars	Percentage of Total Contracts
FY 85	29	$ 2.6 million	43.4%
FY 86	49	5.5 million	55.4%
FY 87	58	8.8 million	56.9%
FY 88*	29	6.7 million	73.5%

* (2 Quarters data)

(b) Efforts made by Commerce to ensure that women-owned businesses appear on bidders lists and are being forwarded solicitation packages for contracting opportunities:

Acquisition Letter No. 25, Woman-owned Business Contracting Initiatives, was distributed to heads of Commerce contracting offices in May, 1985. The policy requires all Department purchasing and contracting offices to take affirmative action to assist women's businesses in securing a fair proportion of the Department's procurements by including them on procurement mailing lists. Prime contractors are also required to include women-owned firms on their vendor's lists for subcontracting needs.

A strong advocacy program, expressed during activities such as annual goal setting and accomplishments reporting, and a secretarial level Management by Objective process also figure prominently in the Department's level of compliance with stated goals and policies.

(c) Total subcontracting commitments since FY 85: $97,184,148. Prime contractors are encouraged to make use of women's businesses through standard contract clauses covering the use of these enterprises and by our efforts to include as many primes as possible at our marketplace events.

3. Agency grant programs do not currently emphasize the collection of data relating to the gender of the recipients.

4. Programs relating to commercial credit - Not applicable

5. The primary source for achievement data related to women-owned businesses is our procurement data base. This data is considered very reliable by the Department and serves as the basis for our annual goal projections, quarterly Management by Objective reporting and annual report to the SBA.

OFFICE OF THE UNDER SECRETARY OF DEFENSE FOR ACQUISITION
WASHINGTON, DC 20301-3061

OFFICE OF SMALL AND
DISADVANTAGED BUSINESS
UTILIZATION

2 MAY 1988

Honorable John J. LaFalce
Chairman, Committee on Small Business
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Please refer to your letter of April 19, 1988 to the Secretary of Defense, Department of Defense (DoD), which informed us that your committee has scheduled a series of oversight hearings on the subject of women's business enterprise, which, in part, will deal with government policies and programs affecting women business owners. Further, your letter requested that we supply the Committee on Small Business with answers to five numbered questions.

We are delighted to furnish information on DoD accomplishments on the subject of women's business enterprise. Women-owned businesses play an increasingly important role in DoD procurements. Much of the success is the result of the presidential authority of Executive Order 12138 of May 18, 1979, by which departments and agencies were directed to take affirmative action in support of women's business enterprise in appropriate programs and activities, including, but not limited to, procurement. This program was strongly embellished by Executive Order 12426 of June 22, 1983, which established the President's Advisory Committee on Women's Business Ownership. Since inception, DoD has strongly adhered to the intent and spirit of these executive orders and our procurement accomplishments in this program reflect it. Though we will discuss some of the details more fully later, we would like to provide an order of magnitude of program growth. In FY 1979, in response to the executive order, the DoD purchased $70.6 million in products and services from women-owned business firms. This significant achievement has continued through the concerted efforts of field commanders, small business specialists, contracting officers, and many other specialists who take the women-owned business program as a serious matter. Through their abundant energies, the DoD, in FY 1987, awarded over $1.1 billion to women-owned business firms, a new Federal record that is, indeed, exceedingly satisfying. From the vantage point of FY 1988 experience, there is no reason why this progress should not continue through the current and succeeding years.

To facilitate your review, we will repeat your question, which will be followed by our response:

Question #1 - Executive Order 12138 requires that each Federal department and agency "take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system." Please identify every initiative your agency has undertaken pursuant to this executive order, the impact of the initiative, the office responsible for the initiative, your assessment of the success or failure of each, and your recommendations for future initiatives.

Response #1 - Since inception of the program, hundreds of DoD initiatives have been undertaken by hundreds of field activities authorized to purchase products and services. These initiatives vary location to location to meet the individual needs of buying activities. It would be almost impossible to capture all of the initiatives since 1979; however, we can cite some of the major initiatives, and by doing so, place the program into proper perspective.

o Establish Regulatory Basis for DoD Women-owned Business Program - DoD first issued guidance to procurement personnel in 1979. That guidance can currently be found in Subpart 19.9, entitled Contracting Opportunities for Women-Owned Small Businesses, of the Federal Acquisition Regulation (FAR). Enclosure 1 covers FAR references to women-owned small business, specifically Subpart 19.9, Subpart 19.304 (Solicitation Provisions), and Subpart 52.219-3 (Women-owned Small Business Representation). This initiative continues to work very well and certainly will continue to be a part of the regulatory requirements affecting operational personnel.

o Alter Reporting Statistics to Reflect the Women-owned Business Program - During 1979, DoD also developed guidance to field personnel to capture procurement statistics on awards to women-owned businesses. The guidance can currently be found in Subpart 4.6, entitled Contract Reporting, of the Defense Federal Acquisition Regulation Supplement (DFARS). Enclosure 2 is an extract of DFARS, which provides guidance to procurement personnel on coding contract awards to women-owned businesses. The vehicle for collecting award data on contracts exceeding $25,000 is DD Form 350, Individual Contract Action Report, a copy of which is appended as Enclosure 3. Periodically, the DD Form 350 is modified as need for new data is generated. There is no plan to change our collection data for women-owned small business, inasmuch as the current system suffices.

o Establish Goals - Since inception of the program in FY 1979, the DoD planned to set women-owned business goals for the Military Services and the Defense Agencies. Beginning in 1980, all field activities were assigned annual goals and developed very active programs in fulfilling women-owned business goals. The annual goals assigned to individual activities were generally met, but not always met. However, even when not met, the DoD aggregate of dollars flowing to women-owned business invariably exceeded the goal. Enclosure 4 reflects performance against goals. Even though the goals were most challenging, they were exceeded year after year. They were only attained through careful nurturing of individual firms by small business specialists. At times, we were astounded at our success, especially since women-owned businesses, as a collectivity, do not manufacture the defense products we purchase. In the near future, we expect a leveling off of awards to women-owned business, unless there is a substantial growth of manufacturers in that business sector. Our goal setting program for women-owned business proceeds well. We do not plan to alter the program, which is geared to the concept of assigning challenging goals to the Army, Navy, Air Force, and the Defense Agencies.

o Develop Outreach Programs - Outreach is the term generally used to describe the actions taken by DoD activities to identify and encourage business firms to compete for government contracts. In its broader context, outreach also includes actions taken by the DoD to assist contractors that are doing business with the government, including women-owned small businesses, in resolving problems encountered in the performance of their DoD contracts. Inherent in the concept of outreach is building relationships with other activities for the furtherance of small and disadvantaged business. The success of the DoD Small and Disadvantaged Business Utilization Program is properly traceable to the integral part played by outreach programs.

Outreach programs vary location to location as the result of the types of commodities, systems, or services procured and the supply demands placed upon procurement activities. A typical outreach program at the local level would include: the day-to-day review of catalogs and similar references for new sources; a toll-free number in place to assist firms desiring to do business with the government; active participation in numerous Federal, state, and other procurement conferences; liaison with other government agencies, such as the Department of Commerce and the Small Business Administration; an open-door policy on counseling business firms; assisting local and state governments by providing training to their procurement specialists so that they can more effectively counsel their clients on doing business with the government; sponsoring commodity/trade fairs at the local activity; and engaging in national outreach efforts to the extent practicable, since this activity will be constrained at times as a result of limited resources and travel funds.

Special outreach efforts are frequently undertaken to address known procurement deficiencies, such as a paucity of sources for competition, a lack of interest by industry in doing business with the government, a surge of military requirements in new commodity areas, and a lack of in-depth knowledge of the nature of certain highly specialized industries. At times there is an urgent need to identify the composition of an industry, such as clothing and apparel, or the ethnic display of individual industries for purposes of attracting new firms or reducing historic barriers to competition. To assure success of special outreach programs, DoD has utilized the services of Dun and Bradstreet, Boone Young and Associates, and others.

DoD outreach requires continuous coordination and cooperation among all participants. In order to provide responsible and responsive counseling and assistance to the broad variety of business firms included in the DoD Small and Disadvantaged Business Utilization Program, small business specialists must have an intimate knowledge of the entire DoD acquisition process, technical data, marketing strategies, production processes, contract pricing, financing concepts and practices, quality assurance requirements, and the Federal cataloging and supply systems. They must know who buys what, not only within their assigned activity, but also the Military Services and other Federal agencies. They must also know the types of managerial and financial assistance that are available from the Small Business Administration, Department of Commerce, and other Federal agencies. For the individual activity, maintaining currency in these various and dynamic areas requires day-to-day rapport and coordination with other disciplines within their own activity, with the Military Services, and with other Federal agencies. In addition, as a result of the intensive interest by the Congress in small business matters, DoD small business specialists have many opportunities to coordinate with and support members of Congress, particularly in conducting procurement outreach conferences and in assisting in the resolution of problems referred to members of Congress by representatives of small business and other firms.

To be successful in these efforts, DoD small business specialists must coordinate their program implementation concepts and procedures. Coordination to this extent serves to maximize the returns from their efforts, to optimize the expenditure of resources, and avoid duplication. For example, when one of the Military Services is designated as coordinator for a Federal Procurement Conference sponsored by Congressional representatives, coordination is effected with the Department of Commerce for Federal civilian agency participation, the Small Business Administration, and other agencies within DoD, including the other Military Services and the Defense Logistics Agency.

DoD small business specialists, in pursuing their individual outreach programs in support of women-owned enterprises must maintain effective lines of communication with other small business specialists within the DoD and the Federal agencies. This is a very critical element in assuring program effectiveness and efficiency. The magnitude and complexity of some of these outreach programs require extensive interplay, not only at the working levels, but also at the highest levels of management to facilitate the coordination of day-to-day activities. To that end, DoD routinely publishes current rosters of personnel assigned to the DoD Small and Disadvantaged Business Utilization Program. The title of that publication is Small Business Specialists (see Enclosure 5). It is frequently used in connection with advancing women-owned businesses.

Some of the programs that actively involve DoD small business specialists in outreach endeavors stem from the White House Small Business Conferences, Carribean Basin Initiative, Puerto Rico Initiative, Southwest Border Initiative, and other White House Initiatives, such as the Interagency Committee on Women's Business Enterprise, a committee on which DoD serves as an active member. Other programs stem from sponsoring or supporting procurement outreach conferences and trade fairs, involving members of Congress and other Federal agencies, including the Department of Commerce. Some outreach involves such technical specialties as contract financing, size standards, and the Certificate of Competency, which requires extensive coordination with the Small Business Administration. Other outreach efforts involve American Indian tribes, Federal Prison Industries, the National Industries for the Blind, the National Industries for the Severely Handicapped, and cooperative agreement and procurement outreach programs requiring interface with many state and local governments, especially economic development agencies.

One of the most important ways DoD keeps abreast of outreach endeavors is through the strong support given to the thirteen OSD sponsored Small Business Area Councils organized throughout the country. DoD small business specialists contribute considerably to the success of these councils. They also learn from other Federal agencies at these councils, which have proven to be most effective in developing and maintaining good working relationships with counterpart small business specialists throughout the Federal government. DoD small business specialists frequently use these councils as a forum to advance the women's business enterprise. Outreach programs within the DoD have contributed considerably to strengthening women-owned businesses. Inasmuch as outreach approaches have been so helpful in promoting awards for women-owned businesses, we do not intend to diminish our efforts in this area.

o Develop Program Statistics - One of the key initiatives relates to the orderly gathering and analysis of data affecting women-owned business. By maintaining close tabs year after year, we are able to place the women-owned small business program in perspective as a proper subset of all small business. Women-owned small businesses have, in defense business, grown rapidly as compared with non-women-owned businesses. Enclosure 6 is a display of the DoD Women-owned Small Business Program, compared with total business awards by the DoD for each fiscal year, beginning FY 1979 and ending FY 1987, with small business awards for the same period, with small disadvantaged business awards, and with awards to women-owned business as a percentage of total awards, small business awards, and small disadvantaged business awards.

Question #2 - Please supply the Committee with the following information for each of the last four years:

a. the number, total dollars, and relative percentages such figures represent for all contracts awarded by your agency to women-owned businesses identifying separately awards made pursuant to section 8(a) of the Small Business Act;

b. the efforts made by your agency to ensure that women-owned businesses appear on government bidders lists and are being forwarded solicitation packages for contracting opportunities;

c. total dollar amount of subcontracting commitments made by large prime contractors with your agency and efforts to encourage primes to utilize women-owned small business concerns.

Response #2 - Enclosure 7 displays the DoD awards over $25,000 to women-owned small business and women-owned small business 8(a), as compared with total business, small business, and small disadvantaged business awards for FY 1984, FY 1985, FY 1986, and FY 1987. The growth rate for that period is 16.0% for women-owned small business and 38.0% for women-owned small business under the 8(a) program. The growth rate for total awards during the same period is 2.6%. For the longer period covered under Enclosure 6, that is, FY 1979 - FY 1987, the growth rate for women-owned small business is 41.2% as compared with the growth rate of 11.2% for total awards. Both Enclosures 5 and 6 reveal that awards to women-owned business as a percentage of total awards made by the DoD to domestic industry is less than 1%, which we find neither disturbing or alarming, even though women-owned business in the United States now represent about 25% of domestic small business. The current makeup of women-owned business reveals that a very small portion relates to manufacturing of products and commodities purchased by the DoD. As indicated above, a quantum leap in the percentage of women-owned business awards to total DoD awards will only be possible through major restructuring of the women-owned business sector.

Much of the goods and services procured by the DoD is through the use of bidder's lists coded to the appropriate Federal Supply Class (FSC). All of our buying activities maintain bidder's lists to assure that our supply needs are met, with competitive prices offered by bidders. The operatives in the DoD purchasing community are very attentive to the maintenance of bidder's lists, the basis for which resides in the Standard Form 129, Solicitation Mailing List Application. These lists identify whether a firm is small business, other than small business, disadvantaged business, and women-owned business. Throughout the DoD, there is no problem in women-owned businesses receiving solicitation packages for contracting opportunities. In general, our bidder's lists are monitored very closely. When women-owned business firms are identified, they are quick to be added to the bidder's lists. We feel that much of our success with the women-owned business program is traceable to the attention paid to these lists at all of our buying activities.

In FY 1987, the DoD prime contractors awarded a total of $53.1 billion in subcontract awards, of which $21.6 billion or 40.6 went to small business. In FY 1986, the DoD prime contractors awarded 38.5% of subcontract awards to small business. We do not collect data for subcontract awards to women-owned business because we lack authority to do so. The DoD, however, within its statutory authority encourages defense prime contractors to develop a viable women-owned small business program designed to increase the number and dollar awards to women-owned small business. Some defense prime contractors have established voluntary programs to do this; however, without a mandatory program, they are not eager to seize the initiative in this area because of cost and other reasons. Some firms are quick to indicate that fragmenting the purchasing activity to assure that data on women-owned business are collected is not high on the action agenda.

Question #3 - If your agency makes grants or loans, please supply the following information for each of the last four years

a. the number, total dollars, and relative percentages such figures represent for all such grants or loans made to women-owned businesses;

b. efforts made by your agency to encourage the participation of women in grant and loan programs.

Response #3 - The DoD does not make grants or loans to U.S. business firms.

Question #4 - If your agency has programs relating to, or regulatory authority over, the provision of commercial credit, in any form, describe any initiatives undertaken by the agency, or subject to its programmatic or regulatory authority, that are directed toward women business owners or that may be more likely to affect such owners in any significant way. In your response, please detail such program or authority and provide such statistical or other data that may serve to describe the efforts of your agency.

Response #4 - The DoD is not engaged in commercial credit and related activities.

Question #5 - Please list all types of data within the control of your agency regarding women-owned businesses indicating the usage that your agency has for such data, the sufficiency of the data, its reliability and any improvements in data collection, retrieval or usage planned or desired by the agency to better assist its efforts in this area.

Response #5 - The DoD uses DD Form 350 as its principal device to capture data on women-owned business awards. It has been a very successful device over the years. We anticipate no major changes to it. Periodically, as new legislation comes into being, certain adjustments are made to the DD Form 350. Currently, modifications to the form are being made to reflect Public Law 99-661 and Public Law 100-180. These modifications affect small disadvantaged business and historically Black colleges and universities and other minority institutions. We consider the data collected as both sufficient and reliable. One improvement in data collection relates to defense subcontracting. As discussed above, prime contractors are not required to report subcontracting awards to women-owned small businesses, that is, it is a voluntary, not a statutory, program.

In summing up, we would be remiss if we did not affirm that the DoD maintains a high degree of visibility for the women-owned small business program, which is an integral part of the way we do business. As indicated above, we have assigned goals since FY 1980 to our buying activities for awards to women-owned small business. Further, we expend considerable resources in identifying and providing counseling to women-owned small business on prime and subcontracting opportunities. It is not by accident that three of our major small business publications bear the name of women-owned business on its covers. They are: Small Business Specialists; Guide to the Defense Contracting Regulations for Small Business, Small Disadvantaged Business, Women-owned Business (Enclosure 8); and Guide to the Defense Contract Finance Regulations for Small Business, Small Disadvantaged Business, Women-owned Business (Enclosure 9). The visibility of women-owned business is accentuated by our publications, as well as by our procurement conferences (congressionally sponsored and others) and periodic training conferences for our small business specialists situated at contracting and contract administration activities.

The Department of Defense is pleased to furnish information on the subject of women's business enterprise.

Sincerely,

Horace J. Crouch

HORACE J. CROUCH
Director

Enclosures

whether its contractor shall be required to provide a performance bond.

19.808 Preaward considerations.

The contracting officer should request a preaward survey of the SBA's contractor whenever considered useful. A cognizant contract administration office may be requested to assist in reviewing a specific element of responsibility.

19.809 Preparing the contracts.

19.809-1 General.

(a) The contract to be awarded by the agency to the SBA shall be prepared in accordance with agency procedures and in the same detail as would be required in a contract with a business concern. The contracting officer shall use the Standard Form 26 as the award form, except for construction contracts, in which case Standard Form 1442 shall be used as required in 36.701(b).

(b) The agency shall prepare the contract that the SBA will award to its contractor in accordance with agency procedures, as if the agency were awarding the contract directly to the SBA's contractor, except for the following:

(1) The award form shall cite 41 U.S.C. 253(c)(5) or 10 U.S.C. 2304(c)(5) (as appropriate) as the authority for use of other than full and open competition.

(2) Appropriate clauses shall be included, as necessary, to reflect that the contract is between the SBA and its contractor.

(3) The following items shall be inserted by the SBA when it makes the award:

(i) The SBA contract number.

(ii) The effective date.

(iii) The typed name of the SBA's contracting officer.

(iv) The signature of the SBA's contracting officer.

(v) The date signed.

(4) At the same time the items in subparagraph (3) above are completed, the SBA will obtain the signature of its contractor on the contract.

(5) If the contract is for construction work, it shall include requirements of the Miller Act with respect to performance and payment bonds (see Part 28).

19.809-2 Contract clauses.

(a) The contracting officer shall insert the clause at 52.219-11, Special 8(a) Contract Conditions, in contracts between the SBA and the agency when the acquisition is accomplished using the procedures of this subpart.

(b) The contracting officer shall insert the clause at 52.219-12, Special 8(a) Subcontract Conditions, in contracts between the SBA and its 8(a) contractor.

19.810 Contract administration.

(a) The contracting officer shall assign contract administration functions, as required, based on the location of the SBA's contractor (see DOD Directory of Contract Administration Services Components (DOD 4105.59-H).)

(b) The contract for the SBA and its contractor shall be provided to the SBA along with the one between the SBA and the agency, and shall be distributed by the SBA. Both contracts shall be executed and distributed in accordance with Part 4.

(c) To the extent consistent with the awarding agency's capability and resources, SBA contractors furnishing requirements shall be afforded production and technical assistance, including, when appropriate, identification of causes of deficiencies in their products and suggested corrective action to make such products acceptable.

SUBPART 19.9—CONTRACTING OPPORTUNITIES FOR WOMEN-OWNED SMALL BUSINESSES

19.901 Policy.

In response to the need to aid and stimulate women's business enterprise, Executive Order 12138, May 18, 1979 directs agencies to take appropriate action to facilitate, preserve, and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system. Appropriate action includes the award of subcontracts under Federal prime contracts.

19.902 Contract clause.

To encourage the use of women-owned small businesses in subcontracting, the contracting officer shall insert the clause at 52.219-13, Utilization of Women-Owned Small Businesses, in solicitations and contracts when the contract amount is expected to exceed the small purchase limitation, except—

(a) Contracts that, including all subcontracts thereunder, are to be performed entirely outside the United States, its possessions, Puerto Rico, and the Trust Territory of the Pacific Islands; and

(b) Contracts for personal services.

unique to a person
lawyer, barber, artist
(Encl.)

The SBA decision, if received before award, will apply to the pending acquisition. SBA rulings received after award shall not apply to that acquisition.

(j) A protest which is not timely, even though received before award, shall be forwarded to the Small Business Administration regional office (see 19.302(c)(1) above), with a notation on it that the protest is not timely. The protestant shall be notified that the protest cannot be considered on the instant acquisition but has been referred to SBA for its consideration in any future actions. A protest received by a contracting officer after award of a contract shall be forwarded to the Small Business Administration regional office with a notation that award has been made. The protestant shall be notified that the award has been made and that the protest has been forwarded to SBA for its consideration in future actions.

19.303 Determining product or service classifications.

(a) The contracting officer shall determine the appropriate product or service classification and related small business size standard and include them in solicitations, except when small purchase procedures are used.

(b) If different products or services are required in the same solicitation, the solicitation shall identify the appropriate small business size standard for each product or service.

(c) The contracting officer's determination is final unless appealed as provided below.

(1) If the solicitation period is longer than 30 days, the appeal must be filed not less than 10 business days before the bid opening or proposal submission date. If the solicitation period is shorter than 30 days, the appeal must be filed not less than 5 business days before the bid opening or proposal submission date.

(2) The appeal shall be in writing and shall be addressed to the Office of Hearings and Appeals, Small Business Administration, Washington, D.C. 20416. No particular form is prescribed for the appeal. However, time limits and procedures set forth in SBA's regulations at 13 CFR 121.11 are strictly enforced. The appellant shall submit an original and one legible copy of the appeal. In the case of telegraphic appeals, the telegraphic notice shall be confirmed by the next day mailing of a written appeal, in duplicate. The written appeal must contain the following certification: "I have read this document and, under penalty of perjury and the sanctions imposed under 18 U.S.C. 1001, of which I am aware, I certify that, to the best of my knowledge, the statements made therein are true and correct, and that this document is not being filed for the purpose of delay or harassment." The appeal shall include—

(i) The substance and date of the determination being appealed;

(ii) The number and date of the solicitation, and the name, address, and telephone number of the contracting officer;

(iii) The reasons why the contracting officer's determination is alleged to be erroneous;

(iv) Documentary evidence to support the allegation; and

(v) The name, address, and telephone number of the appellant; and

(vi) A statement certifying that copies of the appeal have been provided the contractng officer.

(3) The Office of Hearings and Appeals will notify the contracting officer of the date it received the appeal and the docket number assigned. The contracting officer's response, if any, to the appeal must include appropriate argument and evidence, must include the certification in paragraph (c)(2) above, and must be filed with the Office of Hearings and Appeals no later than 5 business days after receipt of the appeal. The Office of Hearings and Appeals, if possible, will inform the contracting officer of its ruling on the appeal before the end of the solicitation period. The SBA decision, if received before the date offeres are due, shall be considered final and the solicitaion shall be amended to (i) reflect the decision and (ii) change the date offers are due, if appropriate. SBA rulings received after the due date shall not apply to the pending acquisition, but shall apply to future acquisitions of the product or service.

19.304 Solicitation provisions.

(a) The contracting officer shall insert the provision at 52.219-1, Small Business Concern Representation, in solicitations when the contract is to be performed inside the United States, its territories or possessions, Puerto Rico, the Trust Territory of the Pacific Islands, or the District of Columbia.

(b) The contracting officer shall insert the provision at 52.219-2, Small Disadvantaged Business Concern Representation, in solicitations (other than those for small purchases), when the contract is to be performed inside the United States, its territories or possessions, Puerto Rico, the Trust Territory of the Pacific Islands, or the District of Columbia.

(c) The contracting officer shall insert the provision at 52.219-3, Women-Owned Small Business Representation, in solicitations (other than those for small purchases), when the contract is to be performed inside the United States, its territories or possessions, Puerto Rico, the Trust Territory of the Pacific Islands, or the District of Columbia.

SUBPART 19.4—COOPERATION WITH THE SMALL BUSINESS ADMINISTRATION

19.401 General.

(a) The Small Business Act is the authority under which the Small Business Administration (SBA) and agencies consult and cooperate with each other in formulating policies to ensure that small business and

(R 7-104.27(c))
(R 1-1.1508-2(d))

52.218 Reserved.

52.219-1 Small Business Concern Representation.

As prescribed in 19.304(a), insert the following provision:

SMALL BUSINESS CONCERN REPRESENTATION
(MAY 1986)

The offeror represents and certifies as part of its offer that it ☐ is, ☐ is not a small business concern and that ☐ all, ☐ not all end items to be furnished will be manufactured or produced by a small business concern in the United States, its territories or possessions, Puerto Rico, or the Trust Territory of the Pacific Islands. "Small business concern," as used in this provision, means a concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the size standards in this solicitation.

(End of provision)

52.219-2 Small Disadvantaged Business Concern Representation.

As prescribed in 19.304(b), insert the following provision in solicitations (other than those for small purchases), when the contract is to be performed inside the United States, its territories or possessions, Puerto Rico, the Trust Territory of the Pacific Islands, or the District of Columbia:

SMALL DISADVANTAGED BUSINESS CONCERN
REPRESENTATION (APR 1984)

(a) *Representation.* The offeror represents that it ☐ is, ☐ is not a small disadvantaged business concern.

(b) *Definitions.*

"Asian-Indian American," as used in this provision, means a United States citizen whose origins are in India, Pakistan, or Bangladesh.

"Asian-Pacific American," as used in this provision, means a United States citizen whose origins are in Japan, China, the Philippines, Vietnam, Korea, Samoa, Guam, the U.S. Trust Territory of the Pacific Islands, the Northern Mariana Islands, Laos, Cambodia, or Taiwan.

"Native Americans," as used in this provision, means American Indians, Eskimos, Aleuts, and native Hawaiians.

"Small business concern," as used in this provision, means a concern, including its affiliates, that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the criteria and size standards in 13 CFR 121.

"Small disadvantaged business concern," as used in this provision, means a small business concern that (1) is at least 51 percent owned by one or more individuals who are both socially and economically disadvantaged, or a publicly owned business having at least 51 percent of its stock owned by one or more socially and economically disadvantaged individuals and (2) has its management and daily business controlled by one or more such individuals.

(c) *Qualified groups.* The offeror shall presume that socially and economically disadvantaged individuals include Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Asian-Indian Americans, and other individuals found to be qualified by the SBA under 13 CFR 124.1.

(End of provision)
(R 7-2003.74 1980 AUG)
(R 3-501(b)(3), Part IV, Section K, (i)(B) 1980 AUG)

52.219-3 Women-Owned Small Business Representation.

As prescribed in 19.304(c), insert the following provision in solicitations (other than those for small purchases), when the contract is to be performed inside the United States, its territories or possessions, Puerto Rico, the Trust Territory of the Pacific Islands, or the District of Columbia:

WOMEN-OWNED SMALL BUSINESS
REPRESENTATION (APR 1984)

(a) *Representation.* The offeror represents that it ☐ is, ☐ is not a women-owned small business concern.

(b) *Definitions.*

"Small business concern," as used in this provision, means a concern, including its affiliates, that is independently owned and operated, not dominate in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the criteria and size standards in 13 CFR 121.

"Women-owned," as used in this provision, means a small business that is at least 51 percent owned by a woman or women who are U.S. citizens and who also control and operate the business.

(End of Provision)
(R FPR Temp. Reg 48 1978 DEC)

52.219-4 Notice of Small Business-Small Purchase Set-Aside.

As prescribed in 19.508(a), insert the following provision in each written solicitation of quotations or offers:

NOTICE OF SMALL BUSINESS-SMALL PURCHASE
SET-ASIDE (APR 1984)

(v) Use code 5 if not awarded to small business for any other reason.

(3) Item D3, Small Disadvantaged Business.

(i) Enter code 1 if the contractor is not a small disadvantaged business concern in accordance with the representation required in FAR 19.304(a).

(ii) Enter Code 2 if the contract was awarded to the U.S. Small Business Administration (SBA) pursuant to Section 8(a) of the Small Business Act (FAR 19.8).

(iii) Enter code 3 if the award is not an SBA 8(a) award but is made to a firm determined to be a small disadvantaged business concern in accordance with the representation required in FAR 19.304(b).

(4) Item D4, Reason Not Awarded to Small Disadvantaged Business Concern. If the action was not awarded to a small disadvantaged business concern, enter an appropriate code from the available codes below. Otherwise, leave blank.

(i) Use Code 1 if there was no known small disadvantaged business source.

(ii) Use Code 2 if there was a known small disadvantaged business source but it was not solicited for a bid or proposal.

(iii) Use Code 3 if a small disadvantaged business concern was solicited, but no bid or proposal was received from such concern, or the concern did not offer sufficient quantity to cover the total requirement but received an award for the portion bid on.

(iv) Use Code 4 if a small disadvantaged business concern was solicited but the low or most advantageous offer was not from a small disadvantaged business concern.

(v) Use Code 5 if not awarded to a small disadvantaged business for any other reason.

(5) Item D5, Women-Owned Small Business.

(i) Enter Code 1 if the contractor's response to FAR 52.219-3 indicates the firm is not a women-owned small business.

(ii) Enter code 2 if the response to FAR 52.219-3 indicates in the affirmative that the contractor is a women-owned small business.

(iii) Enter Code 3 if the information is not available because the contractor did not complete the certification under FAR 52.219-3.

(6) Item D6, Small Business Set-Aside Preference.

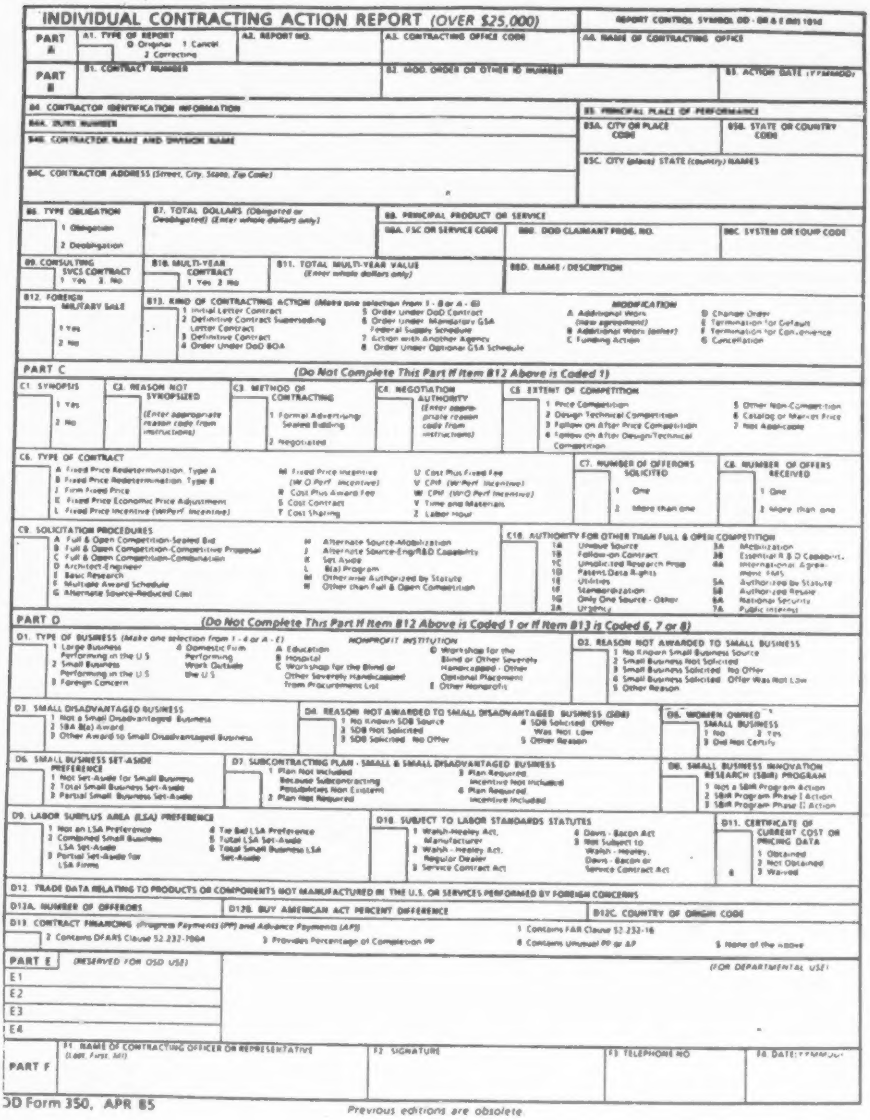
(i) Enter Code 1 if the solicitation/award was not totally or partially set aside for small business pursuant to FAR 19.502-2, FAR 19.502-3, and 20.70.

(ii) Enter Code 2 if the solicitation/award was totally set aside for small business pursuant to FAR 19.502-2.

(iii) Enter code 3 if the solicitation/award was partially set aside for small business pursuant to FAR 19.502-3 and 20.70.

(7) Item D7, Subcontracting Plan for Small and Small Disadvantaged Businesses. Enter the appropriate code as follows:

(i) Enter Code 1 if a subcontracting plan was not included in the contract because subcontracting possibilities do not exist (FAR 19.706).



INDIVIDUAL CONTRACTING ACTION REPORT *(OVER $25,000)*

REPORT CONTROL SYMBOL DD - DR & E (M) 1014

PART A

A1. TYPE OF REPORT
0 Original 1 Cancel
2 Correcting

A2. REPORT NO.

A3. CONTRACTING OFFICE CODE

A4. NAME OF CONTRACTING OFFICE

PART B

B1. CONTRACT NUMBER

B2. MOD. ORDER OR OTHER ID NUMBER

B3. ACTION DATE (YYMMDD)

B4. CONTRACTOR IDENTIFICATION INFORMATION

B4A. DUNS NUMBER

B4B. CONTRACTOR NAME AND DIVISION NAME

B4C. CONTRACTOR ADDRESS *(Street, City, State, Zip Code)*

B5. PRINCIPAL PLACE OF PERFORMANCE

B5A. CITY OR PLACE CODE

B5B. STATE OR COUNTRY CODE

B5C. CITY (place) STATE (country) NAMES

B6. TYPE OBLIGATION
1 Obligation
2 Deobligation

B7. TOTAL DOLLARS *(Obligated or Deobligated) (Enter whole dollars only)*

B8. PRINCIPAL PRODUCT OR SERVICE

B8A. FSC OR SERVICE CODE

B8B. DOD CLAIMANT PROG. NO.

B8C. SYSTEM OR EQUIP CODE

B8D. NAME / DESCRIPTION

B9. CONSULTING SVCS CONTRACT
1 Yes 2. No

B10. MULTI-YEAR CONTRACT
1 Yes 2 No

B11. TOTAL MULTI-YEAR VALUE *(Enter whole dollars only)*

B12. FOREIGN MILITARY SALE
1 Yes
2 No

B13. KIND OF CONTRACTING ACTION *(Make one selection from 1 - 8 or A - G)*
1 Initial Letter Contract
2 Definitive Contract Superseding Letter Contract
3 Definitive Contract
4 Order Under DoD BOA
5 Order Under DoD Contract
6 Order Under Mandatory GSA Federal Supply Schedule
7 Action with Another Agency
8 Order Under Optional GSA Schedule

MODIFICATION
A Additional Work (new agreement)
B Additional Work (other)
C Funding Action
D Change Order
E Termination for Default
F Termination for Convenience
G Cancellation

PART C *(Do Not Complete This Part If Item B12 Above is Coded 1)*

C1. SYNOPSIS
1 Yes
2 No

C2. REASON NOT SYNOPSIZED
(Enter appropriate reason code from instructions)

C3. METHOD OF CONTRACTING
1 Formal Advertising/Sealed Bidding
2 Negotiated

C4. NEGOTIATION AUTHORITY
(Enter appropriate reason code from instructions)

C5. EXTENT OF COMPETITION
1 Price Competition
2 Design Technical Competition
3 Follow on After Price Competition
4 Follow on After Design/Technical Competition
5 Other Non-Competition
6 Catalog or Market Price
7 Not Applicable

C6. TYPE OF CONTRACT
A Fixed Price Redetermination, Type A
B Fixed Price Redetermination, Type B
J Firm Fixed Price
K Fixed Price Economic Price Adjustment
L Fixed Price Incentive (W/Perf. Incentive)
M Fixed Price Incentive (W/O Perf. Incentive)
R Cost Plus Award Fee
S Cost Contract
T Cost Sharing
U Cost Plus Fixed Fee
V CPIF (W/Perf. Incentive)
W CPIF (W/O Perf Incentive)
Y Time and Materials
Z Labor Hour

C7. NUMBER OF OFFERORS SOLICITED
1 One
2 More than one

C8. NUMBER OF OFFERS RECEIVED
1 One
2 More than one

C9. SOLICITATION PROCEDURES
A Full & Open Competition-Sealed Bid
B Full & Open Competition-Competitive Proposal
C Full & Open Competition-Combination
D Architect-Engineer
E Basic Research
F Multiple Award Schedule
G Alternate Source-Reduced Cost
H Alternate Source-Mobilization
J Alternate Source-Engr/R&D Capability
K Set Aside
L 8(a) Program
M Otherwise Authorized by Statute
N Other than Full & Open Competition

C10. AUTHORITY FOR OTHER THAN FULL & OPEN COMPETITION
1A Unique Source
1B Follow-on Contract
1C Unsolicited Research Prop
1D Patent/Data Rights
1E Utilities
1F Standardization
1G Only One Source - Other
2A Urgency
3A Mobilization
3B Essential R & D Capability
4A International Agreement FMS
5A Authorized by Statute
5B Authorized Resale
6A National Security
7A Public Interest

PART D *(Do Not Complete This Part If Item B12 Above is Coded 1 or If Item B13 is Coded 6, 7 or 8)*

D1. TYPE OF BUSINESS *(Make one selection from 1 - 4 or A - E)*
1 Large Business Performing in the U.S.
2 Small Business Performing in the U.S.
3 Foreign Concern
4 Domestic Firm Performing Work Outside the U.S.

NONPROFIT INSTITUTION
A Education
B Hospital
C Workshop for the Blind or Other Severely Handicapped from Procurement List
D Workshop for the Blind or Other Severely Handicapped - Other Optional Placement
E Other Nonprofit

D2. REASON NOT AWARDED TO SMALL BUSINESS
1 No Known Small Business Source
2 Small Business Not Solicited
3 Small Business Solicited No Offer
4 Small Business Solicited Offer Was Not Low
5 Other Reason

D3. SMALL DISADVANTAGED BUSINESS
1 Not a Small Disadvantaged Business
2 SBA 8(a) Award
3 Other Award to Small Disadvantaged Business

D4. REASON NOT AWARDED TO SMALL DISADVANTAGED BUSINESS (SDB)
1 No Known SDB Source
2 SDB Not Solicited
3 SDB Solicited No Offer
4 SDB Solicited Offer Was Not Low
5 Other Reason

D5. WOMEN OWNED SMALL BUSINESS
1 No 2 Yes
3 Did Not Certify

D6. SMALL BUSINESS SET-ASIDE PREFERENCE
1 Not Set-Aside for Small Business
2 Total Small Business Set-Aside
3 Partial Small Business Set-Aside

D7. SUBCONTRACTING PLAN - SMALL & SMALL DISADVANTAGED BUSINESS
1 Plan Not Included Because Subcontracting Possibilities Non Existent
2 Plan Not Required
3 Plan Required Incentive Not Included
4 Plan Required Incentive Included

D8. SMALL BUSINESS INNOVATION RESEARCH (SBIR) PROGRAM
1 Not a SBIR Program Action
2 SBIR Program Phase I Action
3 SBIR Program Phase II Action

D9. LABOR SURPLUS AREA (LSA) PREFERENCE
1 Not an LSA Preference
2 Combined Small Business LSA Set-Aside
3 Partial Set-Aside for LSA Firms
4 Tie Bid LSA Preference
5 Total LSA Set-Aside
6 Total Small Business LSA Set-Aside

D10. SUBJECT TO LABOR STANDARDS STATUTES
1 Walsh-Healey Act, Manufacturer
2 Walsh - Healey Act, Regular Dealer
3 Service Contract Act
4 Davis - Bacon Act
5 Not Subject to Walsh - Healey, Davis - Bacon or Service Contract Act

D11. CERTIFICATE OF CURRENT COST OR PRICING DATA
1 Obtained
2 Not Obtained
3 Waived

D12. TRADE DATA RELATING TO PRODUCTS OR COMPONENTS NOT MANUFACTURED IN THE U.S. OR SERVICES PERFORMED BY FOREIGN CONCERNS

D12A. NUMBER OF OFFERORS

D12B. BUY AMERICAN ACT PERCENT DIFFERENCE

D12C. COUNTRY OF ORIGIN CODE

D13. CONTRACT FINANCING *(Progress Payments (PP) and Advance Payments (AP))*
1 Contains FAR Clause 52.232-16
2 Contains DFARS Clause 52.232-7004
3 Provides Percentage of Completion PP
4 Contains Unusual PP or AP
5 None of the above

PART E *(RESERVED FOR OSD USE)*

E1

E2

E3

E4

(FOR DEPARTMENTAL USE)

PART F

F1. NAME OF CONTRACTING OFFICER OR REPRESENTATIVE *(Last, First, MI)*

F2. SIGNATURE

F3. TELEPHONE NO

F4. DATE (YYMMDD)

DD Form 350, APR 85

Previous editions are obsolete

WOMEN-OWNED SMALL BUSINESS PROGRAM CONTRACT AWARDS AS COMPARED TO ESTABLISHED GOALS (DOLLARS IN MILLIONS)

FISCAL YEAR	WOSB AWARDS	WOSB GOALS	% ACCOMP
1979	$70.6	N/A	N/A
1980	$192.4	$124	155.2%
1981	$336.1	$235	143.0%
1982	$401.8	$305	131.7%
1983	$527.3	$420	125.5%
1984	$718.7	$550	130.7%
1985	$897.5	$735	122.1%
1986	$1,100.0	$925	118.9%
1987	$1,114.5	$1,000	111.5%
1988		$1,100	N/A

DoD WOMEN-OWNED SMALL BUSINESS PROGRAM COMPARED TO: TOTAL BUSINESS, SMALL BUSINESS, SMALL DISADVANTAGED BUSINESS AWARDS
(DOLLARS IN MILLION)

	FY 1979	FY 1980	FY 1981	FY 1982	FY1983	FY 1984	FY 1985	FY 1986	FY 1987	GROWTH RATE
Total Awards	$58,544	$66,704	$67,195	$102,463	$121,096	$124,912	$139,587	$136,497	$135,340	11.0%
SB Awards	$12,170	$13,588	$17,770	$20,143	$22,769	$23,816	$26,049	$26,914	$26,624	10.3%
SDB Awards*	$909	$1,207	$1,874	$2,187	$2,390	$2,710	$2,899	$3,122	$3,317	17.6%
WOSB Awards	$70.6	$192.4	$336.1	$401.8	$527.3	$718.7	$897.5	$1,100.0	$1,114.5	41.2%
% of Total	0.12%	0.29%	0.39%	0.39%	0.44%	0.58%	0.64%	0.81%	0.82%	
% of SB	0.6%	1.4%	1.9%	2.0%	2.3%	3.0%	3.4%	4.1%	4.2%	
% of SDB	7.8%	15.9%	17.9%	18.4%	22.1%	26.5%	31.0%	35.2%	33.6%	

* Small Disadvantaged Business Awards data includes awards made under the 8(a) program.

DoD AWARDS OVER $25 THOUSAND TO WOMEN-OWNED SMALL BUSINESS, WOMEN-OWNED SMALL BUSINESS 8(A) AS COMPARED TO TOTAL BUSINESS, SMALL BUSINESS AND SMALL DISADVANTAGED BUSINESS AWARDS
(DOLLARS IN MILLION)

	FY 1984	FY 1985	FY 1986	FY 1987	GROWTH RATE
Total Awards	$114,926	$129,093	$126,005	$124,178	2.6%
SB Awards	$18,512	$20,384	$21,166	$20,500	3.5%
SDB Awards*	$2,491	$2,693	$2,911	$3,072	7.2%
WOSB Awards	$552.8	$698.3	$875.9	$862.5	16.0%
% of Total	0.48%	0.54%	0.70%	0.69%	
% of SB	3.0%	3.4%	4.1%	4.2%	
% of SDB	22.2%	25.9%	30.1%	28.1%	
WOSB 8(a) AWDS	$51.6	$122.0	$102.6	$135.6	38.0%
% of Total	0.05%	0.10%	0.08%	0.11%	
% of SB	0.28%	0.60%	0.48%	0.66%	
% of SDB	2.07%	4.53%	3.52%	4.41%	
% of WOSB	9.33%	17.47%	11.71%	15.72%	

MAY 13 1988

UNITED STATES DEPARTMENT OF EDUCATION
THE SECRETARY

MAY 12 1988

Honorable John J. LaFalce
Chairman, Committee on Small Business
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter concerning the Department of Education's activities regarding women's business enterprise. We are quite proud of our record with small business concerns. Of particular note are our awards under the 8(a) section of the Small Business Act. During Fiscal Year 1987, about $16 million or 8 percent of our contract dollars went through the 8(a) programs. As you will see in the attached detailed response to your questions, a significant portion of these awards were to women-owned businesses. Other awards to women-owned businesses were made through the normal competitive process.

Comparing awards to women-owned businesses to the total for all contracts awarded by the Department of Education may be misleading. As you know, contracts that go to other-than-women-owned businesses are not necessarily awarded to male-owned businesses. Many contractors are not considered businesses at all. Because of the nature of the projects conducted by the Department and restrictions in authorizing legislation, we award almost half of our contracts each year to nonprofit organizations. Although the remaining contracts are awarded to businesses, most of these are awarded to widely-held public corporations.

If we can provide additional information to the committee, please contact Mr. Raymond J Van Buskirk, Director of Grants and Contracts Service, at 732-2514.

Sincerely,

William Bennett
William J. Bennett

Attachment

Page 1 - Attachment

Question 1:

The Office of Small and Disadvantaged Business Utilization maintains an extensive outreach program. The Office attends national conferences involving the contracts community such as those conducted by the National Contract Management Association. The Department's programs are explained and firms are encouraged to meet with the Office staff for more particular information. The standard Solicitation Mailing List Application is requested. We believe that the positive impact of the outreach effort is evidenced by the composition of our mailing list (see 2b.).

Question 2:

a. For FY 1987

Number of contract actions	801	
Dollar values of contract actions	$ 175,779,916	
Contract actions with women-owned businesses	31	(3.9%)
Dollar value	$ 2,454,682	(1.4%)
Proportion of women-owned awards accomplished under SBA 8(a) program	25	(80.6%)
Dollar value	$ 1,585,621	(64.6%)

For FY 1986

Number of contract actions	675	
Dollar values of contract actions	$ 159,700,753	
Contract actions with women-owned businesses	31	(4.6%)
Dollar value	$ 3,163,459	(2.0%)
Proportion of women-owned awards accomplished under SBA 8(a) program	17	(54.8%)
Dollar value	$ 1,797,522	(56.8%)

For FY 1985

Number of contract actions	862	
Dollar values of contract actions	$ 170,948,671	
Contract actions with women-owned businesses	17	(2.0%)
Dollar value	$ 4,692,170	(2.7%)

Page 2 - Attachment

Proportion of women-owned awards accomplished under SBA 8(a) program	5	(29.4%)
Dollar value	$ 3,971,155	(84.6%)

For FY 1984

Number of contract actions	723	
Dollar values of contract actions	$ 136,378,959	
Contract actions with women-owned businesses	12	(1.7%)
Dollar value	$ 3,392,833	(2.8%)
Proportion of women-owned awards accomplished under SBA 8(a) program	7	(58.3%)
Dollar value	$ 2,886,276	(72.1%)

b. Our contract bidders list contains 958 organizations. Of these, 769 are 8(a) firms. There are 201 women-owned businesses, some of which are, of course, 8(a) firms. Depending on the response to our Commerce Business Daily notices and the number of firms on our mailing list for a particular product type, we mail two to three hundred copies of our solicitations.

c. While the total dollar amount of subcontracting commitments made by our large prime contracts to women-owned business concerns is not available, in the development of required subcontracting plans, large prime contractors are urged by the Department of Education to utilize to the maximum extent possible women-owned business concerns that also are qualified as small business concerns or small disadvantaged business concerns.

Question 3

We have no loan programs for women-owned businesses. While we do make a few grant awards to businesses, the majority of our grants go to education organizations and nonprofit concerns. We are not aware of any grants to women-owned businesses, per se.

While not awards to businesses, the Christa McAuliffe Fellowship Program provided 82 fellowships to women during the program's first year (1987). This represented 75% of the fellowships. The total value was $1,431,633.

Question 4

The Department of Education has no programs relating to commercial credit.

Page 3 - Attachment

Question 5

The material presented herein represents the extent of data that we currently maintain regarding women-owned businesses. We are in the process of installing a new information and scheduling system. This system will allow earlier and more effective outreach by the Office of Small and Disadvantaged Business Utilization.

The Secretary of Energy
Washington, DC 20585

JUN 06 1988

June 3, 1988

Dear Mr. Chairman:

We are pleased to provide the information requested in your letter of April 19, 1988, on the Department of Energy's acquisitions from women-owned small businesses. The enclosure includes responses to each of your questions.

In FY 1987, the Department awarded over $32 million to women-owned businesses, nearly double the performance in FY 1986. The Department's Management and Operating (M&O) contractors awarded over $166 million in subcontracts to women-owned businesses in FY 1987. We are continuing, however, to seek and promote more contracting opportunities for this sector of private industry.

If we can be of further assistance, please do not hesitate to contact Mr. Leonel V. Miranda, Director, Office of Small and Disadvantaged Business Utilization, at 586-8201.

Yours truly,

John S. Herrington

Enclosure

Honorable John J. LaFalce
Chairman, Committee on Small Business
House of Representatives
Washington, D.C. 20515

cc:
Honorable Joseph M. McDade
Ranking Minority Member
Committee on Small Business
House of Representatives
Washington, D.C. 20515

Department of Energy
Women-Owned Business Efforts

Q1. Executive Order 12138 requires that each Federal department and agency "take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system." Please identify every initiative your agency has undertaken pursuant to this executive order, the impact of the initiative, the office responsible for the initiative, your assessment of the success or failure of each, and your recommendations for future initiatives.

A. The Department of Energy (DOE) has been involved in a number of initiatives supporting women-owned businesses:

In October 1984, the DOE's Assistant Secretary for Management and Administration and the Director of the Procurement and Assistance Management Directorate conducted workshops in Detroit, Denver, Chicago and St. Louis, for women business owners, on selling to the DOE. This was part of a White House coordinated program under the auspices of the Interagency Committee on Women's Business Enterprise. This successful effort introduced many women business owners to the opportunities and procedures of Federal contracting.

The Office of Small and Disadvantaged Business Utilization at Headquarters has been actively involved in the Mega Marketplace effort, trade fairs for women-owned businesses in Washington, D.C., and Los Angeles, California. The DOE provided financial support for that multi-agency program and was involved in the planning process and the execution of the events. Feedback from women-owned businesses indicated that Mega Marketplace was a valuable marketing event for participants. This allowed the DOE to increase the number of women-owned businesses that could participate in our programs.

We are currently in the process of developing a procurement and educational event designed specifically for women business owners to meet personnel of agencies and corporations seeking to increase their women-owned business participation. This regional conference, co-sponsored by the DOE's Chicago Operations Office will be held October 19-20, 1988, in Chicago. The specific goal of the conference is to increase the amount of contracting dollars awarded by government and prime contractors to women-owned businesses.

The DOE and its major contractors will continue to participate in special outreach activities directed at women-owned businesses, as well as the marketing efforts directed at small business, in general, where women-owned businesses are always invited. The DOE looks to the Interagency Committee on Women's Business Enterprise for recommendation of major agency-wide initiatives, as suggested by Executive Order 12138.

Q2. Please supply the Committee with the following information for each of the last four years:

a. the number, total dollars, and relative percentages such figures represent for all contracts awarded by your agency to women-owned businesses identifying separately awards made pursuant to section 8(a) of the Small Business Act;

b. the efforts made by your agency to ensure that women-owned businesses appear on government bidders lists and are being forwarded solicitation packages for contracting opportunities;

c. total dollar amount of subcontracting commitments made by large prime contractors with your agency and efforts to encourage primes to utilize women-owned small business concerns.

A.a.

	Women-Owned Business Prime Contracts (#)	(000s)	Percent of Total*	8(a) Women-Owned Business Contracts (000s)
FY 1984	80	$15,740	0.13	$6,919
FY 1985	110	$11,275	0.09	$5,125
FY 1986	242	$18,465	0.14	$7,540
FY 1987	280	$32,681	0.25	$24,322

b. Our Headquarters database, Automated Contractor Capability and Experience Source System (ACCESS), contains information, including women-owned status, from Standard Form 129, "Solicitation Mailing List Application." DOE field offices use similar automated systems. These systems are used to identify women-owned businesses for competitive procurement, as well as those that are also certified under the Small Business Administration's (SBA's) 8(a) program and with whom the DOE may contract noncompetitively.

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*Based on total DOE prime contracting, excluding foreign military sales, non-appropriated funds contracts, contracts awarded and performed entirely outside of the United States, all Federal Supply Schedule orders and interagency transfers to other agencies.

c. Total Subcontracting (000s)		Women-Owned Business Subcontracting by M&O Contractors (000s)
FY 1984	$4,224,223	$103,081
FY 1985	$4,639,103	$145,172
FY 1986	$4,657,299	$132,368
FY 1987	$5,099,439	$166,812

As figures above reveal, the DOE actively encourages its Management and Operating (M&O) contractors, which operate DOE-owned plants and laboratories, to contract with women-owned firms. Due to the Department's special relationship with M&O contractors, their subcontracting with women-owned businesses are included in the Departmental goaling program. By agreement, the SBA's Women Business Ownership office recognizes M&O contractors' accomplishments as part of the DOE's results. In other prime contracts, however, the DOE inserts the "Utilization of Women-Owned Small Business" clause in solicitations and contracts, as required by the Federal Acquisition Regulation. That clause requires only that the contractor "agrees to use its best efforts to give women-owned small businesses the maximum practicable opportunity to participate in the subcontracts it awards ...."

Q3. If your agency makes grants or loans, please supply the following information for each of the last four years:

a. the number, total dollars, and relative percentages such figures represent for all such grants or loans made to women-owned businesses;

b. efforts made by your agency to encourage the participation of women in grant and loan programs.

A. The DOE makes financial assistance awards in the form of grants and cooperative agreements. In the absence of any legal or other requirement for determining whether such awards are made to women-owned businesses, the DOE does not collect such data. Accordingly, we are unable to supply the information requested under this section.

The Office of Minority Economic Impact has a small loan program for the preparation of bids and proposals to the Department from minority businesses. During the past four fiscal years, none of the loans was made to women-owned businesses.

Aside from insuring that the Department's grant and loan programs are administered in a non-discriminatory manner, the DOE has made no special effort to encourage women participation in those programs. In the area of financial assistance, the Executive Order requires only that recipients take appropriate affirmative action in support of women-owned businesses. On October 1, 1988, the DOE will incorporate the new OMB Circular A-102 in financial assistance instruments. The new circular requires that grantees and subgrantees "take all necessary affirmative steps to assure that minority firms, women's business enterprises, and labor surplus area firms are used when possible."

Q4. If your agency has programs relating to, or regulatory authority over, the provision of commercial credit, in any form, describe any initiatives undertaken by the agency, or subject to its programmatic or regulatory authority, that are directed toward women business owners or that may be more likely to affect such owners in any significant way. In your response, please detail such program or authority and provide such statistical or other data that may serve to describe the efforts of your agency.

A. At this time, the DOE has a limited number of programs that involve the provision of commercial credit. These programs are in the process of being phased out. There are no known initiatives that were directed toward women business owners while those programs were viable. The Geothermal Loan Guaranty Program, for example, was intended to stimulate private sector risk-taking for geothermal projects. Of the eight loan guarantees that were issued, none was with a women-owned business.

Q5. Please list all types of data within the control of your agency regarding women-owned businesses indicating the usage that your agency has for such data, the sufficiency of the data, its reliability and any improvements in data collection, retrieval or usage planned or desired by the agency to better assist its efforts in this area.

A. The DOE collects, directly and from its M&O contractors, information on awards to women-owned businesses which results in the following automated data reports:

Procurement and Assistance Data System (PADS), Socioeconomic Goal Achievement Report. This is a report of achievement in the Department's small business programs in prime contracting. The report captures obligations to women-owned small businesses.

Subcontracting Reporting System (SCORS), Socioeconomic Goal Achievement Report. This is a report of achievement in the Department's small business programs in subcontracting. The report captures women-owned business obligations from the Department's M&O contractors, but not other DOE prime contractors. The Federally mandated form for gathering such data from prime contractors, Standard Form 294, "Subcontracting Report for Individual Contracts," does not provide for the collection of any information on women-owned business. The collection of women-owned business data from M&O contractors is solely a DOE initiative.

Both of these reports are used extensively in monitoring and in recognizing the DOE and M&O contractors' small business activities.

The DOE and its major contractors use the SBA's Procurement Automated Source System (PASS) and ACCESS (and the field equivalents) to identify women-owned businesses as potential sources.

In the absence of a preference program targeted to women-owned businesses, our women-owned business data is considered sufficient, and collection of additional women-owned business data would impose an unwarranted paperwork burden on the Department and its contractors. The data is considered fairly reliable based on verification studies and efforts are continually made to improve its reliability.

IT/CF

EXPORT-IMPORT BANK OF THE UNITED STATES
WASHINGTON, D.C. 20571

PRESIDENT
AND
CHAIRMAN

CABLE ADDRESS "EXIMBANK"
TELEX [illegible]

RECEIVED
MAY 25 1988
Committee on Small Business

May 17, 1988

Dear John:

In regard to your letter of April 19, you indicated that your Committee would be holding hearings on government policies and programs effecting women business owners. In particular, you wanted to obtain information from government agencies showing how much procurement is actually going to businesses owned by women. In this regard, I would point out several distinctions between Eximbank and other government agencies.

As you are aware, the primary function of the Export-Import Bank of the United States is to provide financing in support of the export of U.S. goods and services. In doing so, Eximbank responds to requests from potential U.S. suppliers, borrowers and private lenders. Eximbank is not involved in arrangements relating to the underlying export sales transaction and plays no part in the selection by a borrower of a particular U.S. supplier or lender.

For the incidental needs of our small staff we primarily obtain our goods and services off the schedule of the General Services Administration. The procurement from women-owned enterprises would largely be reflected in that agency's report to your committee.

The Bank also has a non-GAO procurement program for small businesses, including women-owned enterprises. In Fiscal Year 1987 our small business procurement amounted to $1.4 million with fully one quarter of that amount going to women-owned enterprises. It was only in FY'86 that the Bank developed an automated procurement tracking system. In its procurement program, as well as in its own hiring practices, the Bank assures fair treatment of all applicants and employees without regard to political affiliation, race, color, religious creed or sex.

As you may know, the Bank has over the past several years been engaged in a marketing effort to make our program more accessible to small and medium-sized enterprises. In 1987 the Bank launched its City/State Pilot Program to create another distribution system to reach the small business community.

Unfortunately, I cannot give you any kind of breakdown on how many women-owned businesses have benefitted as a result of the initiative because only in the past six months have we developed an automatic data collection system covering this kind of information.

Please be sure to contact me if you need additional information.

Best regards,

Original Signed by
John A. Bohn, Jr.
John A. Bohn, Jr.

The Honorable
John J. LaFalce
Chairman
Committee on Small Business
2361 Rayburn House Office Building
Washington, DC 20515

Administrator
General Services Administration
Washington, DC 20405

RECEIVED

MAY 18 1988

Committee on Small Business

May 13, 1988

The Honorable
John J. LaFalce
Chairman, Committee on Small Business
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

The General Services Administration is pleased to respond to your letter of April 19, 1988, concerning the agency's policies and programs that affect women-owned business concerns.

Enclosed is our response to the Committee's questions on women business enterprise. We have responded to the questions in the order in which they were requested.

If you have any questions regarding the information provided, please contact John Wynn, Director, Office of Small and Disadvantaged Business Utilization at 566-1155.

Sincerely,

John Alderson
Acting Administrator

Enclosure

Question 1

The General Services Administration's (GSA's) Office of Small and Disadvantaged Business Utilization has participated in numerous congressionally sponsored procurement conferences held all over the country. The intent of these conferences is to help minority, women and small business concerns make greater strides in the Federal procurement market. They also provide the business community with an opportunity to meet procurement officials to discuss contracting opportunities. GSA is represented on the Interagency Committee on Women Business Enterprise which was established to address the concerns of women business owners.

In addition to congressionally sponsored conferences, the Office of Small and Disadvantaged Business Utilization has participated in various seminars, workshops and conferences sponsored by local trade organizations including the 1987 Women's MegaMarketplace business conferences held in Washington, DC, and Los Angeles, California. GSA has issued several publications which describes the procurement preference programs including those for which women-owned businesses may be eligible.

The success of these conferences is evident by the large number of business owners and representatives who attend, and the numerous letters received commending the agency on the overall success of these activities.

GSA has Business Service Centers (BSC's) located in each of its 11 regional offices. The BSC's were established to assist firms interested in doing business with GSA as well as other Federal agencies. During fiscal year 1987, the BSC's counseled 143,391 individuals interested in doing business with the Federal Government, 27,357 of which were women. Statistics available for fiscal years 1985 and 1986 reveal the following:

Fiscal Year	Total Number of Individuals Counseled	Number of Women Counseled
1985	136,077	29,129
1986	155,908	33,189

FAR 52.219-13, Utilization of Women-Owned Small Businesses was revised to define "small business concern"; to expand the definition of "women-owned small businesses" to include the criterion that women-owned small businesses are small business concerns; and, to specify that the contractor, acting in good faith, may rely on written representations by its subcontractors regarding their status as women-owned small businesses. GSA published this revision in Federal Acquisition Circular 84-21,

dated August 29, 1986. GSA Contracting Officers are required to include the clause entitled "Utilization of Women-Owned Small Businesses" in solicitations and contracts when the contract amount is expected to exceed the small purchase limitation, with certain exceptions which are described in FAR 19.902. These revisions were made to assist women-owned businesses in obtaining Federal contracts and subcontracts by Federal prime contractors. Federal Acquisition Circulars are issued by the GSA, Office of Acquisition Policy.

Question 2(a)

Fiscal Year	Awards to Women-Owned Business Concerns			8(a) Contract Awards		
	No of Contracts	$ (000)	%	No of Contracts	$ (000)	%
1984	642	50,992	1.1	422	74,800	1.6
1985	739	58,755	1.0	286	66,200	1.1
1986	857	61,315	1.1	394	89,936	1.6
1987	982	51,140	1.0	258	66,728	1.3

Question 2(b)

Participants at the various workshops and procurement conferences are instructed on how to complete the "Bidders Mailing List Application" so that they can receive notices of proposed procurements for the items and/or services they wish to sell to the Government. We also emphasize the importance of making personal contact with the procuring activity so that their firm can be contacted for small and/or emergency purchases.

Question 2(c)

1) Total dollar amount of subcontracting commitments made by large prime contractors:

Fiscal Year	Total Subcontract Commitments (In total dollars)	Small Business	Large Business	Small Disad-vantaged Business
1984	4,888,083,819 (100%)	1,160,945,774 (23.8%)	3,727,138,135 (76.2%)	87,261,524 (1.8%)
1985	844,608,473 (100%)	209,777,222 (24.8%)	634,831,251 (75.2%)	12,149,160 (1.4%)
1986	846,442,782 (100%)	276,170,949 (32.6%)	570,271,833 (67.4%)	15,266,183 (1.8%)
1987	978,245,395 (100%)	331,055,739 (33.8%)	647,189,656 (66.2%)	19,851,035 (2.0%)

2) GSA does not collect nor maintain any data on subcontract awards to women-owned business concerns. However, in the subcontracting plans, the goals for subcontracting with small and small disadvantaged business include women-owned small and small disadvantaged business concerns.

Question 3

GSA does not make any grants or loans to individuals or businesses.

Question 4

GSA does not have any programs relating to, or regulatory authority over the provision of commercial credit.

Question 5

The Federal Procurement Data Center (FPDC) operates an automated data system of Federal Government procurement information. The FPDC master file contains detailed information on the goods and services, including research and development activities purchased by over 60 Federal agencies. The Office of Small and Disadvantaged Business Utilization uses this data to establish goals and monitor the agency's achievements under the procurement preference program which includes contracts awarded to women-owned business concerns. The data is only as accurate as that received from responding Federal departments and agencies. We plan to continue to use this data to establish and monitor goals under the procurement preference program.

THE SECRETARY OF HEALTH AND HUMAN SERVICES
WASHINGTON, D.C. 20201

MAY 10 1988 MAY 11 1988

The Honorable John J. LaFalce
Chairman, House Committee
on Small Business
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter of April 19, 1988 in which you requested me to supply the Committee with answers to a number of questions relating to the Department's Women's Business Enterprise Program.

Our response is enclosed.

Sincerely,

Otis R Bowen M.D.

Otis R. Bowen, M.D.
Secretary

Enclosure

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MAY 12 1988

Committee on Small Business

RESPONSE TO THE APRIL 19, 1988 REQUEST FROM THE CHAIRMAN OF THE HOUSE COMMITTEE ON SMALL BUSINESS

ANSWER 1

In accord with the requirements of Executive Order 12138 the Department of Health and Human Services has undertaken a number of significant initiatives to ensure full participation by women-owned businesses in all programs conducted by this Department. The following initiatives, which are managed and coordinated by our Office of Small and Disadvantaged Business Utilization, have had a tremendous impact on increasing the volume and amount of awards to women-owned businesses:

-- Establishment of an Inter-Departmental Women-Owned Business Committee

-- Each major procurement activity within the Department sponsored procurement seminars for women-owned businesses

-- Actively participated in procurement seminars sponsored by various public and private sector organizations

-- Forged working relationships with various trade associations of women-owned businesses

-- Revised the Departmental Grants Administration Manual to provide procedures for enhancing the participation of women-owned businesses in departmental grant and assistance programs.

Awards to women-owned businesses have steadily increased from $22 million in FY-83 to approximately $60 million in FY-87. This growth pattern is directly attributable to the initiatives implemented in support of the President's Executive Order 12138.

ANSWER 2.(a)

(See Attachment A)

ANSWER 2.(b)

Departmental small business and contracting officials have participated in a significant number of outreach activities in an effort to identify women business owners capable of participating in departmental procurement programs. In addition, each of our major procurement offices has hosted a workshop or seminar for women-owned businesses to inform them of procurement practices and procedures and to get them registered on all appropriate bidder's mailing lists. We have worked with trade associations of women business owners and briefed their members on departmental procurement procedures. Special efforts have also been made to forward

RFQ's and RFP's to women business owners. Finally, our Office of Small and Disadvantaged Business Utilization has disseminated Directories of Women Business Owners, published by trade associations and other private sector organizations, to all departmental procurement offices.

ANSWER 2.(c)

In accord with the Federal Acquisition Regulations, the Women-Owned Business Subcontracting clause has been included in the contracts of Departmental prime contractors. We suspect that this clause has generated substantial subcontracting opportunities for women-owned businesses. However, the absence of a federally approved data collection form has prevented us from collecting data on the volume of subcontracts awarded to women-owned businesses by departmental prime contractors. Subcontracting commitments by large prime contractors for the past four years are as follows:

FY-84	$186,451,000
FY-85	$193,145,000
FY-86	$279,404,000
FY-87	$154,187,000

ANSWER 3(a)

In December 1982, the Department's Grants Administration Manual was revised to include procedures to be followed by departmental officials to enhance the participation of women-owned businesses in departmental grant programs. The revisions included procedures for the review of all grant announcements for which for-profit organizations are eligible to apply, to determine those which may be of interest to women-owned business organizations. Such firms are automatically mailed copies of the grant announcements. In addition, all departmental components which administer a grant program are required to maintain a source list of women-owned businesses. Departmental grant applications have been revised to include a woman-owned business certification clause. This revision has enabled us to capture data on awards to women-owned businesses and to improve our overall management of the participation of women-owned businesses in our grant and assistance programs.

ANSWER 4

Not applicable to the Department of Health and Human Services.

ANSWER 5

The Department maintains a contract information system and a grants information system to provide departmental contract and grant managers with adequate data to manage these programs. Data on the characteristics of awards to women-owned businesses is retrieved from these systems to manage the women business program. In addition, we maintain separate data on the Small Business Innovation Research Program. All of this data is accurate and reliable since it is obtained from actual contract and grant documents at the time of award.

ATTACHMENT A

Answer 2.a

DEPARTMENT OF HEALTH AND HUMAN SERVICES AWARDS TO WOMEN-OWNED BUSINESSES

Fiscal Year	Total DHHS Procurement Dollars	Awards to Women-Owned Businesses	Number of Awards	Percent of Awards to Women-Owned Businesses to Total Procurement
1984	$1,337,414	$45,379	5,519	3.4
1985	1,309,450	35,096	6,779	2.5
1896	1,576,088	35,547	9,315	2.4
1987	1,791,250	50,772	10,139	3.3

8(A) AWARDS TO WOMEN-OWNED BUSINESSES

Fiscal Years	Total DHHS 8(a) Awards	8(a) Awards to Women-Owned Businesses	Percent of 8(a) Awards to Women-Owned Businesses to Total 8(a) Awards
1984	$ 68,789	$11,176	16.2
1985	72,519	10,801	14.9
1876	93,343	10,048	10.8
1987	123,624	15,681	12.9

ATTACHMENT B

Answer 3.a

EXTRAMURAL GRANT AWARDS
WOMEN'S BUSINESS PROGRAM
FISCAL YEARS 1984 THRU 1987
(to the dollar)

Fiscal Years	Total Number of DHHS Extramual Grants	Total Number of Grants Awards to Women-Owned Businesses	Total DHHS Grants Dollars	Total Grants Dollars to Women-Owned Businesses	%
1984	31,004	15	4,214,037,800	$ 747,535	0.018
1985	24,569	49	4,162,300,700	3,616,371	0.1
1986	23,868	34	3,093,304,554	2,958,753	0.1
1987	26,269	41	4,565,045,103	4,601,847	0.1

MAY 03 1988

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
THE SECRETARY
WASHINGTON, D.C. 20410-0001

MAY 3 1988

Honorable John G. LaFalce
Chairman
Committee on Small Business
U. S. House of Representatives
2361 Rayburn House Office Building
Washington, DC 20515

Dear Mr. LaFalce:

Thank you for your letter of April 19 requesting information on the Department's policies and programs which affect women business owners. The Department has undertaken several initiatives to ensure that women business owners were given an equitable opportunity to participate in all HUD programs and activities. Our response follows:

1. Initiatives

    - A compendium of women business owners in the housing industry was developed for utilization internally to serve as a quick data source to extract such firms for consideration of HUD procurement opportunities.
    - The Department has consistently provided outreach assistance to women business owners. For example, a Regional Seminar was held for minority women business owners. The purpose of this seminar was to increase the awareness of, and provide women business owners with information on "how to" access opportunities through HUD programs.
    - A series of District workshops were held around the country for women-owned businesses to discuss HUD's procurement process. In an effort to continue our outreach to women entrepreneurs, HUD has also participated in conferences and seminars sponsored by other agencies and Departments.
    - The Department developed a guide Doing Business with HUD, exclusively for minority, women-owned and small businesses.

- The Department maintains a working relationship with trade organizations which represent the interest of women business owners.
- The Department also serves as a member of the President's Interagency Committee for Women's Business Enterprise (IACWBE). Data are provided to the Committee on HUD's procurement policies and programs affecting women business owners.
- The Department establishes and negotiates goals with the Small Business Administration on behalf of women-owned businesses on an annual basis.
- The Department has led all Federal agencies in encouraging minority banks to participate in HUD's Minority Bank Deposit Program. Women are included as minorities for the purpose of this program. From 1984 through 1987, HUD-related funds (average daily balances) exceeded $659,136,219 in minority banks around the country.
- The Department developed and implemented an international program for women business owners in the housing industry.

As a result of these initiatives, many women business owners have been better able to participate effectively in HUD programs.

The Department's Office of Business Relations is responsible for the women business enterprise program. Even though the Department program for women business owners has been successful, we are continuously seeking ways to enhance their participation in the Department's programs and activities.

2. Women Business Owners Participation in HUD Programs from Fiscal Year 1984 through 1987

a. From Fiscal Year 1984 through Fiscal Year 1987, HUD awarded 169 contracts (direct) to women business owners. In 1984: $2,729,128; 1985: $3,017,000; 1986: $2,455,209; and in 1987: $5,227,663. These contracts represented a cumulative total of $13,429,010.

The total value of 8(a) contracts for women business owners let by HUD for this period was $2,092,993 or 2.5 percent of all 8(a) contract awards which totaled $83,251,019.

b. The Department's guide, Doing Business with HUD includes a letter from the Director, Office of Procurement and Contracts encouraging women and other business owners to submit the Solicitation Mailing List Application in order to be included on HUD's bidders mailing list. This guide is circulated at conferences and seminars for women business owners around the country.

c. We are unable to provide statistical data on subcontracts awarded to women business owners. Contractors with subcontracting plans are required to submit subcontracting procurement data on Standard Form 294, (Subcontracting Report for Individual Contracts); and Standard Form 295 (Summary Subcontract Report). These reports provide aggregate data for large business, small business, small disadvantaged business and businesses in labor surplus areas.

3. Grant-Making and Loan Authority on Behalf of Women Business Owners

The Department does have grant-making and loan authority for some HUD programs such as the Urban Development Action Grant (UDAG) Program; Community Development Block Grant/Technical Assistance (CDBG/TA), Program; the Housing Development Grant Program; and Section 202 Direct Loan Program for Elderly and Handicapped citizens.

a. Under the Urban Development Action Grant Program, women business owners received four (4) grants in 1986, totaling $3,718,000. From this period to the present, 487 UDAG projects have been approved, totalling $810 million. Women developers are encouraged to participate in this program competitively along with other developers.

Under the Community Development Block Grant/Technical Assistance Program, the Department made two (2) awards in 1984, totalling $702,827 or 3.6 percent of total CDBG/TA awards; in 1985, three (3) awards were made to women business owners, totaling $413,444,000 or 3.8 percent of total CDBG/TA award; there were no CDBG/TA awards made to women business owners in 1986; one (1) award was made in 1987, totalling $238,809,000 or 1.8 percent of all CDBG/TA awards.

In 1984, the Department awarded a total of $288 million in Housing Development Grants to fund 141 projects. $86,400,000 or 30 percent of the total projects selected were owned by women and minority businesses; there were no Housing Development Grants made to women business owners in 1985; in 1986, four (4) grants were awarded to women businesses, totaling $5,183,572 or 6.0 percent out of a total budget of $80,428,191; 1987, one (1) Housing Development Grant was awarded to a woman sponsored project, totalling $2,233,635 or 2.1 percent out of a total budget of $100,054,915.

Women business owners are not included in the Department's data base to track their participation in the Section 202 Direct Loan Program.

b. HUD has sponsored seminars for women-owned businesses, focusing on how to prepare application to the Urban Development Action Grant Program; Community Development Block Grant Program/ Technical Assistance Program; the Housing Development Grant Program; and the Section 202 Direct Loan Program for Elderly and Handicapped citizens.

4. Regulatory Authority for Commercial Credit

HUD does not have programs relating to the provision of commercial credit or have regulatory authority over the provision of commercial credit for women-owned businesses. However, the Department does adhere to the Equal Credit Opportunity Act, U.S. Code, 1987 Title 15, Section 1691 et seq.

5. HUD's Management Information System

As previously discussed under Item 1, the Department maintains a compendium of women owned businesses which is utilized by the Department as a data source for consideration of potential HUD procurement opportunities; serves as a source for mass mailing of information to women business owners about HUD programs; and is used as a reference to extract names of women business owners to extend invitation to HUD conferences and seminars. Additionally, our Office of Procurement and Contracts maintains a computerized list of businesses in its Management Information System which includes women business owners.

This data base has been useful for Departmental needs, and is reliable based on the current data collection instruments used for tracking such information.

We hope this information will be of use to your Committee.

Very sincerely yours,

Samuel R Pierce Jr

Samuel R. Pierce, Jr.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

RE: OSDBU 300.34

MAY 9 1988

Honorable John J. LaFalce
Chairman, Committee on Small Business
House of Representatives
2361 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Thank you for your letter of April 19, 1988, to Secretary Hodel in which you requested information concerning the Department of the Interior's implementation of policies and programs which affect women business owners.

The Department of the Interior actively supports the Women's Business Enterprise program. Since there are no set-asides or preference awards for women-owned businesses, most of Interior's sustained progress in this area is the result of increased and improved access to acquisition information and success in competing. We shall continue in our endeavors as we seek to achieve the objective of Executive Order 12138 that Women's Business Enterprises be given an opportunity to compete effectively in the economic mainstream.

The information you requested is provided in the enclosure to this letter, in the same numerical sequence as the questions are set forth in your letter of April 19, 1988.

Should you need further assistance or additional information, please contact me on (202) 343-8493. Please be assured that Interior will continue its aggressive support of its Women's Business Enterprise program.

Sincerely,

Charlotte Brooks Spann

Charlotte Brooks Spann, Director
Office of Small and Disadvantaged
Business Utilization

Enclosure

Department of the Interior
Office of Small and Disadvantaged
Business Utilization (OSDBU)

Response to questions from the House Small Business Committee regarding Interior's Women's Business Program. (Letter of 4/19/88 from Chrm. LaFalce RE: WBE Activities)

Response to Question Number 1:

The Women's Business Enterprise (WBE) Program began with the issuance of Executive Order 12138 (Order) on May 18, 1979. The Order created a National Women's Business Enterprise Policy, and prescribed arrangements for developing, coordinating and implementing a national program for Women's Business Enterprise. In response to that Order, Interior took the following initiatives:

* In 1979 and 1980, the Director, OSDBU, served as Interior's representative on the Interagency Task Force for Women's Business Enterprise.

* Established policy that complied with OFPP Policy Letter 80-4 which prescribed clauses and regulatory coverage to articulate uniform procedures in support of increased subcontracting to women-owned firms by Federal prime contractors.

* Established goals for prime contract awards to women-owned businesses and proceeded to exceed those goals each Fiscal Year. Interior has averaged 2.2% of its total acquisition as awards to women-owned businesses. Interior performance against established goals follows:

FY	Goal($M)	Accompl.($M)	% of Total Acquisition
1980	$ 5.5	$ 11.8	0.6%
1981	10.8	26.7	2.0%
1982	10.7	22.6	2.0%
1983	14.0	20.5	2.0%
1984	18.2	22.9	2.4%
1985	17.3	27.8	2.6%
1986	19.3	24.9	2.2%
1987	18.0	19.3	1.9%

Interior's FY 1988 WBE goal is $21.7 million, or 2.0% of its estimated total acquisition.

* Implemented Federal Acquisition Regulation (FAR) policy in the Department of the Interior Acquisition Regulations at Subpart 1419.9 concerning contracting opportunities for women-owned businesses.

* Each Interior bureau participated in MegaMarket Place I, held on April 17, 1986, in Washington, DC, to increase the visibility of women business owners among government, corporate contractors, the general public and the media. Interior also participated in MegaMarket Place II, held in May of 1987, in Washington, DC and in Los Angeles, California.

The impact of the initiatives cited above has been very positive as shown by Interior's very successful accomplishments in awarding an average of 2.2% of its total acquisition to WBE's since FY 1980. The OSDBU at Interior has primary responsibility for all of the initiatives listed above. Our assessment of these initiatives is that each has been successful towards the collective achievement of the objective stated in Executive Order 12138, that WBE's be given an opportunity to compete effectively in the economic mainstream.

Response to Question Number 2:

Part a: Attachment 1 is provided as our response to this part of question number 2.

Part b: In the fall of 1981, Interior developed an Acquisition Screening and Review form, DI-1886 (see Attachment 2), which is used to monitor all acquisitions over $10,000. The DI-1886 was revised in January 1982, April 1984, and most recently in January 1988, to keep it current with the ever changing needs of the acquisition process. Block 11, line (d), Proposed Bidders/Source List, refers specifically to soliciting WBE's. This information is reviewed during selected Acquisition Management Reviews conducted annually by OSDBU and as required by the Office of Acquisition and Property Management, to ensure that women-owned businesses have maximum representation on source lists and are being sent solicitations.

Part c: The total subcontracting dollars awarded by Interior's large prime contractors for the last four years are shown below:

FY	(Dollars in Millions) Subcontracting Dollars
1984	$ 118.0
1985	$ 94.3
1986	$ 130.8
1987	$ 126.1

The subcontracting clause at FAR 52.219-13 is included in every prime contract which exceeds $10,000. Letters sent by OSDBU to large prime contractors with subcontracting plans also encourage the use of women-owned firms as subcontractors.

Response to Question Number 3:

Part a: The Department of the Interior has no authorized system of records in place which permits obtaining the number, total dollars, and relative percentages such figures represent for all such grants and loans made to women-owned businesses.

Part b: The majority of Interior's Grants and Cooperative Agreements are awarded to State and Local Governments, with the remaining portion awarded to colleges and universities. Consequently, no opportunities exist for awards to women-owned businesses.

Response to Question Number 4:

The Department of the Interior has no programs relating to, or authority over, the provision of commercial credit.

Response to Question Number 5:

The Department of the Interior collects and maintains data which indicates whether the recipient of a prime contract award or a purchase order is a woman-owned business. The data is collected into the Interior Procurement Data System (IPDS) and is transmitted quarterly to the Federal Procurement Data Center (FPDC) for inclusion in the Federal Procurement Data System (FPDS). Interior uses this data to monitor bureau progress towards achieving negotiated annual women-owned business goals. Although FAR 19.902 and FAR 52.219-13 urge prime contractors to provide maximum subcontracting opportunities to women-owned businesses, there are no existing instruments to facilitate prime contractor reporting on the success of those efforts. Inasmuch as the FAR does not require plans or goals for subcontracting to women-owned businesses, the reliability of any reports on such subcontracting would be questionable.

DOLLARS reported in $Millions. (See NOTE below) ATTACHMENT 1

DEPARTMENTAL TOTALS -vs- WOMEN-OWNED BUSINESS (WBE) TOTALS

	FY'84		FY'85		FY'86		FY'87	
	ACTIONS	DOLLARS	ACTIONS	DOLLARS	ACTIONS	DOLLARS	ACTIONS	DOLLARS
TOTALS -	13,628	963.6	10,810	1,063.2	11,460	1,151.4	13,663	1,005.4
WBE $'s	380	22.9	316	27.8	372	24.8	567	19.3
PCT - %	2.8%	2.4%	2.9%	2.6%	3.2%	2.2%	4.1%	1.9%

DEPARTMENTAL TOTALS -vs- WOMEN-OWNED BUSINESS 8(a) TOTALS

	FY'84		FY'85		FY'86		FY'87	
	ACTIONS	DOLLARS	ACTIONS	DOLLARS	ACTIONS	DOLLARS	ACTIONS	DOLLARS
TOTALS -	13,628	963.6	10,810	1,063.2	11,460	1,151.4	13,663	1,005.4
WBE 8(a)	27	2.6	24	1.0	39	1.2	60	2.8
PCT - %	0.2%	0.3%	0.2%	0.1%	0.3%	0.1%	0.4%	0.3%

WOMEN-OWNED BUSINESS TOTALS -vs- WOMEN-OWNED BUSINESS 8(a) TOTALS

	FY'84		FY'85		FY'86		FY'87	
	ACTIONS	DOLLARS	ACTIONS	DOLLARS	ACTIONS	DOLLARS	ACTIONS	DOLLARS
WBE -	380 .	22.9	316	27.8	372	24.8	567	19.3
WBE 8(a)	27	2.6	24	1.0	39	1.2	60	2.8
PCT - %	7.1%	11.4%	7.6%	3.6%	10.5%	4.8%	10.6%	14.5%

NOTE: The above dollars EXCLUDE Public Law 93-638 (PL) and Federal Supply Schedule (F.S.S.) and Other Agency Contracts.

	- FY'84 -	- FY'85 -	- FY'86 -	- FY'87 -
	DOLLARS	DOLLARS	DOLLARS	DOLLARS
PL -----	249.7	168.4	194.1	324.9
F.S.S. -	140.4	173.7	158.6	136.6
TOTAL --	390.1	342.1	352.7	461.5

DEPARTMENT OF THE INTERIOR

ACQUISITION SCREENING AND REVIEW FORM

($25,000 and over)

ATTACHMENT 2

A. ACQUISITION PLAN

1. Date Prepared.	2. Purchasing Office & Address *(include Zip Code)*	3. Solicitation No.

4. Description of Commodity or Service, & Quantity *(include Product & Service Code):*

5. Competitive ☐ Noncompetitive ☐ *(Attach justification, unless 8(a))*	6. Proposed Synopsis (a)YES ☐ (b)NO ☐ FAR 5.2 ☐	7. Cost/Price *(Estimate)*	8. Solicitation Date *(Estimate)*	9. Response or Bid Opening Date *(Estimate)*

10. Proposed Method of Acquisition:*Check one box (a) through (g)*

(a) Section 8(a) Program ☐
(b) Total SB/LSA Set-Aside ☐
(c) Total Small Business Set-Aside ☐
(d) Partial Small Business Set-Aside ☐
(e) Labor Surplus Area Set-Aside ☐
(f) NOT SET - ASIDE ☐
(g) Buy Indian ☐
Check either (h) or (i)
(h) Sealed Bidding ☐
(i) Other Negotiated (41 USC 253 (c)) ☐

11. Proposed Bidder's/Source List *(Attach Copy)*
(a) No. of Small Businesses ____________
(b) No. of Large Businesses ____________
(c) No. of Labor Surplus Area Concerns:
Large ________ Small ________
PASS USED: YES ☐ NO ☐
(d) No. of Min./Dis. Businesses ____________
(e) No. of Women-Owned Businesses ____________

12. Basis for proposed Method of Acquisition
(a) Not Set-Aside for 8(a) because:
(1) Reasons: ____________________
____
____
(b) Not Set-Aside for Small Business because:
(1) Non-Competitive ☐
(2) Insufficient number of qualified Small Businesses ☐
(3) See Acquisition History below ☐
(4) Other *(Specify):* ____________________
(c) Partial Small Business Set-Aside not Appropriate See: FAR 19 502-3 ☐
(d) Not Set-Aside for LSA because:
(1) Services to be peformed are not in LSA ☐
(2) Competition would be unduly restricted ☐
(3) Other *(Specify):* ____________________
(e) Remarks: ____________________
____
____

B. PREVIOUS ACQUISITION INFORMATION:

13. Has similar item/service been procured recently? YES ☐ NO ☐ If yes, indicate method of acquisition (USE CODES IN BLOCK 10 ABOVE) and place of performance:

14. If competitive indicate number of responses received:
Large ________ Small ________ LSA ________ Min./Dis. ________ WBE ________

15. Date of Award:	16. Contract Number:	17. Total Cost/Price:	18. Name of Contractor and Address:

19. Type of Firm *(Check all applicable):*
Small ☐ Min./Dis. ☐ Large ☐ Women-Owned ☐ in LSA ☐
Other ☐ *(Specify)*

20. Signature and Date:

____________________ Contracting Officer
____________________ Business Utilization & Development Specialist
____________________ SBA Representative

(DI-1886)
(Revised 1/88)

ACQUISITION SCREENING AND REVIEW FORM*

($25,000 and over)

a. Prior to solicitation, the contracting officer to whom an acquisition requirement is assigned for action shall screen each requirement of $25,000 or more and initiate an "Acquisition Screening and Review (ASR)"* Form (DI-1886). The ASR form shall reflect the consideration given to restricting award of the requirement to a total or partial small business or labor surplus area set-aside, including award to the Small Business Administration (SBA) for subcontracting in accordance with the provision of Section 8(a) of the Small Business Act.

b. The ASR form shall reflect the contracting officer's selected method of acquisition as enumerated in block 10 of the form including the circumstances and rationale that support the contracting officer's decision. If additional space is needed to provide specific information, please use a separate sheet of paper and attach it to the ASR form.

c. To the extent practicable, the contracting officer shall coordinate all known facts and circumstances with the Small Business Representative or the Business Utilization and Development Specialist (BUDS), as appropriate, prior to completing and signing the form. Conversely, the Small Business Representative or BUDS shall make available to the contracting officer all small and minority/disadvantaged business source data and any other pertinent information dealing with small business, Section 8(a), and/or Labor Surplus Area concerns that may aid his/her decision. All appropriate women's business enterprise sources shall also be provided to the Contracting Officer.

d. The contracting officer shall submit the completed ASR form to the designated Small Business Representative or BUDS, as appropriate, for review and/or concurrence with the selected method of acquisition.

e. In the event the final selected method of acquisition involves a rejection of set-aside recommendations, the matter shall be processed in accordance with applicable procedures as outlined in FAR 19.505.

f. The original copy of each completed ASR form, including any additional facts and circumstances supporting the selected method of acquisition, shall be maintained in the contract file of each contracting activity. A duplicate copy of the ASR form and supporting facts and circumstances shall be maintained by the designated SBA-PCR (if assigned) and BUDS.

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* Copies of this form may be obtained from: Bureau of Land Management, Printed Materials Distribution Section (D-558B), Building 41, Denver Federal Center, P.O. Box 25047, Denver,Colorado 80225-0047. All requisitions and requests for information pertaining to stock should be directed to this office.

U.S. Department of Justice

Office of Legislative and Intergovernmental Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

May 6, 1988

RECEIVED

MAY 6 1988

Committee on Small Busines

Honorable John J. LaFalce
Chairman, Committee on Small Business
House of Representatives
2361 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

The Department of Justice is especially pleased to report to the Committee concerning our initiatives supporting the Women Business Enterprise Program (WBE). This program, along with other socio-economic programs, is under the direct supervision of the Deputy Attorney General; however, the day-to-day program management is performed by the Director, Office of Small and Disadvantaged Business Utilization. The Department also serves as a member on the Interagency Committee on Women's Business Enterprise. Through these combined efforts, significant achievements have been accomplished which enhance the inclusion of women-owned business firms in our contracting program.

As an example, in Fiscal Year 1984, procurement expenditures with women-owned businesses totaled only $5.2 million. Through various outreach efforts of the Department that dollar value has increased to over $14.9 million in FY 1987, an increase of almost 184 percent. As we find additional WBEs to respond to our contracting opportunities, we expect the dollars and the percentages of participation to increase.

Enclosed are answers to the questions posed in your letter dated April 19, 1988.

Sincerely,

Thomas M. Boyd
Acting Assistant
  Attorney General

Enclosure

Department of Justice

Women Business Enterprise Program

1. Initiatives taken by the Department of Justice in support of the Women Business Enterprise Program (WBE) are as follows:

o Established an outreach effort to locate women-owned business firms. The Department attends Federal Procurement Conferences, fairs, conventions, and marketplaces seeking WBEs to compete for our procurement opportunities.

o Sought out and included women-owned business firms as invitees to the annual Small Business Fair conducted by the Department.

o Individually counselled women-owned businesses, advising them how to do business with the Department and the best method of marketing with the bureaus.

o Encouraged women-owned business firms to review the Commerce Business Daily for announcements of contract opportunities.

o Established a system to provide to women business organizations announcements of departmental contract opportunities.

o Encouraged prime contractors to utilize women-owned businesses as subcontractors.

o Participated in the planning, developing and implementation of MegaMarketplaces I and II. MegaMarketplace was a joint project of the Small Business Administration, the Department of Commerce and the Government of Washington, DC. The Marketplaces permitted a mutual exchange of information between Government and industry concerning opportunities and capabilities of each. The Marketplaces resulted in the increased use of women entrepreneurs in our contracting program.

o Encouraged women business firms to submit their names for placement on our Bidders Mailing List.

o Encouraged contracting officers to include women-owned business firms in every solicitation opportunity.

The impact of the initiatives listed above is that more women-owned businesses are now aware of our contracting opportunities; they are responding to our announcements; and, they are becoming the successful offerors. In the last four fiscal years there was a 184 percent increase in the dollars expended with women-owned businesses. We recommend expansion of the outreach program to further increase the involvement of women entrepreneurs in the contracting program.

2. Information for each of the prior four fiscal years is as follows: (Dollars in thousands)

a.

Fiscal Year	Total Procurement Dollars	Total Dollar Awards to WBEs	Percent of Participation by WBEs
1984	$ 519,705	$ 5,219	1.0
1985	$ 636,078	$ 8,808	1.4
1986	$ 652,857	$ 9,716	1.5
1987	$1,052,811	$ 14,873	1.4

Our system does not retain information on the numbers of awards made to WBEs, nor can we separately identify women-owned 8(a) firms.

b. Efforts made by the Department to ensure that women-owned businesses appear on our bidders list are described in the initiatives cited above.

c. The total dollar amount of subcontracting is as follows: (Dollars in thousands)

Fiscal Year	Total Subcontract Dollars
1984	$ 7,420
1985	$ 5,975
1986	$15,330
1987	$ 2,699

Our system does not collect the extent of participation by women-owned businesses in the subcontracting program. Currently, there are no provisions for prime contractors to establish goals nor to report upon the utilization of WBE's as subcontractors.

3. The majority of the Department's grant monies are for formula grants which involve statutory entitlements for state or local governments. Limited funding is made available for discretionary grants to private non-profit corporations, research organizations and universities. Seldom is grant money available for awards to private businesses. Therefore, the percentage of our grants made to women-owned businesses over the last four fiscal years is minimal. The total dollars awarded in grants over that period are as follows: (Dollars in thousands)

Fiscal Year	Total Grant Dollars
1984	$ 117,451
1985	$ 143,059
1986	$ 245,022
1987	$ 416,794

4. The Department of Justice does not provide commercial credit to business enterprises.

5. The only data the Department maintains regarding women-owned business firms is the total dollars awarded to such firms through contract actions. The data is utilized to determine the percent of participation and to show the progress of the Department in awarding contract actions to women-owned business firms.

U.S. Department of Justice

Office of Legislative and Intergovernmental Affairs

Office of the Assistant Attorney General

Washington, D.C. 20530

May 6, 1988

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Chairman, Committee on Small Business
House of Representatives
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NASA

National Aeronautics and
Space Administration

Washington, D.C
20546

Reply to Attn of: XC:BB:mg

MAY 3 1988

Chairman John J. LaFalce
Committee of Small Business
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

This letter is in response to your inquiry of April 19, 1988, to Dr. James C. Fletcher requesting information relative to hearings you are planning to schedule on women business enterprise.

Since the signing of Executive Order 12138, NASA established a Women's Business Enterprise Program to coordinate its efforts to ensure equitable procurement opportunities for women-owned business. We have worked to increase employee awareness of our commitment to women's business enterprises. The principal elements of the program included the development of women-owned business sources, counseling and assistance, and ensuring an awareness of prime and subcontracting opportunities. Administrative policies and procedures were established in support of women-owned business enterprises. The responsibility for program management has been placed with NASA's Director of Small and Disadvantaged Business Utilization. The Deputy Administrator exercises general oversight of the program's implementation. This dictates our involvement in every aspect of the program to ensure the participation, successful performance, and viabilitly of the female business community.

The following information is provided in response to the questions asked in your letter:

Question 1

> Executive Order 12138 requires that each Federal department and Agency "take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise systems." Please identify every initiative your Agency has undertaken pursuant to this Executive Order, the impact of the initiative, the office responsible for the initiative, your assessment of the success or failure of each, and your recommendations for future initiatives.

Answer 1

Assigned the responsibility for the Women's Business Enterprise Program to the Agency's Small Business Advisor in the Office of Small and Disadvantaged Business Utilization [illegible]. Assigned the Small Business Advisor as the Agency's representative to the Interagency Committee on Women's Enterprises.

Participated in the Marketplace for the White House Conference for women business owners.

Participated with the Small Business Administration in the series of one day management conferences for women in 21 cities on how to do business with NASA.

On a continuing basis, targeted women-owned firms in high technology to gain access to the bidders source list at each of our installations.

Placed the names of qualified women-owned businesses on the [illegible] list for each solicitation.

Presented seminars to women's groups to acquaint them with the process of doing business, with NASA.

Cooperated with the Women's Business Enterprise Program in developing a check-list of requirements for new businesses owned by women. The check-list is included as part of a package furnished these businesses.

Established meaningful goals for the participation of women-owned businesses in NASA procurement. Have exceeded each year's goals since establishment of the program in NASA in fiscal year 1980.

Participated in the Mega-Marketplace, activities sponsored by the Department of Commerce.

Expansion of the Women's Business Enterprise Program will: (a) require continuation of the present effort to assist women business owners, and; (b) legislation to create a preferential program for women-owned businesses.

Question 2a

Please supply the Committee with the following information for each of the last four years: The number, total dollars, and relative percentages such figures represent for all contracts awarded by your Agency to women-owned businesses identifying separately awards made pursuant to Section 8(a) of the Small Business Act.

Answer 2a

CONTRACTS OVER $25K TO WOMEN-OWNED SMALL BUSINESS

Fiscal Year	No of Contracts	Percentage*	Amount (000)
1984	126	.40%	$23,044
1985	134	.56%	$36,543
1986	120	.77%	$47,583
1987	114	.80%	$50,826

CONTRACTS OVER $25K TO 8(A) WOMEN-OWNED SMALL BUSINESS

1984	14	.12%	$7,024
1985	13	.07%	$4,858
1986	15	.24%	$14,615
1987	17	.16%	$10,041

** Percentage of total awards to business

Question 2b

The efforts made by your Agency to ensure that women-owned businesses appear on government bidders lists and are being forwarded solicitation packages for contracting opportunities.

Answer 2b

Continual efforts are made by NASA to ensure that the names of qualified women business owners are placed on the bid list for each solicitation.

Question 2c

Total dollar amount of subcontracting commitments made by large prime contractors with your Agency and efforts to encourage primes to utilize women-owned small business concerns.

Answer 2c

In answering this question we assumed your inquiry pertained to subcontracting commitments to women-owned businesses. Subcontracting plans, as required by Public Law 95-507 contain only requirements for subcontracting to small and disadvantaged firms. Therefore, no records are maintained for subcontract awards to women-owned businesses. We are, however, aware that NASA prime contractors are awarding subcontracts to women-owned businesses. To assist toward that end, each NASA solicitation in excess of $500,000 contains the utilization clause and subcontracting clause, for women-owned business.

Question 3

If you Agency makes grants or loans, please supply the following information for each of the last four years. The number, total dollars, and relative percentages such figures represent for all such grants or loans made to women-owned business.

Answer 3

This question is not applicable to NASA, since we do not have a loan program. All NASA grants are issued to non-profit and educational institutions. There are no statistics available that track any grants that may be issued to a non-profit, women-owned institution, or to an educational institution.

Question 4

If your Agency has programs relating to, or regulatory authority over, the provision of commercial credit, in any form, describe any initiatives undertaken by the Agency, or subject to its programmatic or regulatory authority, that are directed toward women business owners or that may be more likely to affect such owners in any significant way. In your response, please detail such program or authority and provide such statistical or other data that may serve to describe the efforts of your Agency.

Answer 4

This question is not applicable to NASA since we do not have regulatory authority or the provision for commercial credit.

Question 5

Please list the types of data within the control of your Agency regarding women-owned businesses, indicating the usage that your Agency has for such data, the sufficiency of the data, its reliability and any improvements in data collection, retrieval or usage planned or desired by the Agency to better assist its efforts in this area:

Answer 5

NASA's collection of this information is accomplished by completion of the Individual Procurement Action Report, NASA Form 507. This form is enclosed for your information. Blocks 17 and 36 are utilized for the compilation of statistics with regard to women-owned and 8(a) business, inclusive of women-owned. The information provides NASA with valuable information on the economic impact of the space program, and a means of conducting in-depth studies of the economic sigificance of the program to specific sizes and types of business. It also provides funding information on specific NASA programs and is utilized in supporting statements during Congressional hearings. This data is considered sufficient and reliable, and it is updated as requirements dictate. NASA has an automated data retrieval system in place that ensures the reliability, and easy access of this data.

Thank you for the opportunity of providing you information about NASA's Women's Business Enterprise Program.

Sincerely,

Jon A. McBride
Assistant Administrator
for Congressional Relations

Enclosure(s)

cc:
XC (C23719)
AEM (A88-01553)
H/Admiral S. J. Evans
HM/M. Ridgway
K/E. D. Rosen

NASA National Aeronautics and Space Administration

Individual Procurement Action Report

1. TYPE OF RECORD *(N-New; C-Correction)*

7. CIC NUMBER

7a. CICA APPLICABILITY ________ 1. PRE-CICA* 2. POST-CICA**

2. CONTRACT/GRANT/P.O. NUMBER

8. CONTRACTOR NAME *(Not to exceed 29 positions, including spaces)*

3. MODIFICATION NUMBER

9. CONTRACTOR DIVISION *(20 positions)*

4. ACCOUNTING INSTALLATION NO.

10. CONTRACTOR ADDRESS *(City – 24 positions)* STATE *(2 positions)*

5. PROCURING INSTALLATION NUMBER

11. PLACE OF PERFORMANCE *(City – 24 positions)*

12. STATE *(2 positions)* ZIP CODE

6. OTHER AGENCY CONTRACT NUMBER

13. CONTRACT/MOD. DATE *(YYMMDD)*

14. COMPLETION DATE *(YYMMDD)*

15. PROCUREMENT PLACEMENT CODE*** ________ Pre-CICA ______ Post-CICA

16. KIND OF ACTION ______

- 01 New Letter Contract
- 02 Def. Contr. Supr. Ltr. Contract
- 03 Definitive Contract
- 04 Order Under NASA Contract
- 05 Intragovernmental
- 06 Grant
- 21 Cooperative Agreement
- 22 Order Under Another Agency's Contract
- 23 Order Under Mandatory GSA FSS
- 24 Order Under Optional GSA FSS

MODIFICATIONS

- 07 New Work Mod.
- 08 Supplemental Agreement
- 09 Change Order
- 10 S/A Definitizing Change Order
- 11 Administrative
- 12 Termination for Default
- 13 Termination for Convenience

[illegible] TYPE OF CONTRACTOR ______

Business

- 01 Section 8a – Disadvantaged
- 03 Disadvantaged Direct
- 04 Other Business

Nonprofit Institutions

- 05 Educational
- 06 Hospital
- 07 Research Foundation/Laboratories
- 08 Other Nonprofit

State/Local Government

- 09 Educational
- 10 Hospital
- 11 Research Organization
- 12 Other State/Local Government

18. TYPE OF CONTRACT ______

- 01 Fixed Price, Firm
- 02 Fixed Price, Redetermination
- 03 Fixed Price, Escalation/Price Adjustment
- 04 Fixed Price, Incentive
- 05 Cost No Fee
- 06 Cost Sharing
- 07 Cost Plus Fixed Fee
- 08 Cost Plus Incentive Fee
- 09 Time & Materials
- 10 Labor – Hour
- 11 Retroactive Price Redetermination
- 12 Cost Plus Award Fee
- 13 Firm Fixed Price, Level-of-Effort Term

19. LABOR SURPLUS AREA ______

- N Awards Not in a Labor Surplus Area
- 1 Labor Surplus Area – No Preference
- 2 Labor Surplus Area – Tie Bid Preference
- 3 Total Labor Surplus/Small Business Set-Asides Preference
- 4 Total Labor Surplus Set-Aside Preference

20. SUBJECT TO STATUTORY REQUIREMENTS ______

- N Not Subject to Statutory Requirements
- 1 Walsh-Healy Act, Manufacture
- 2 Walsh-Healy Act, Regular Dealer
- 3 Service Contract Act
- 4 Davis-Bacon Act

21. EXTENT OF COMPETITION ______

Advertised/Sealed Bid

- 1 Two-Step
- 2. Other

Competitive

- 3 Source Evaluation Board
- 4 No Source Evaluation Board

Noncompetitive

- 5 Follow-on After Competition
- 6 Other Noncompetitive Negotiated
- 7 Unsolicited Proposal

22. REASON FOR NOT SELECTING SMALL BUSINESS ______

Small Business Not Solicited

- 01 No Known Small Business Source
- 02 Unsolicited Proposal
- 03 Other Noncompetitive Awards
- 04 Other

Small Business Solicited

- 05 Bid Not Received
- 06 Bid Not Low
- 07 Bid/Proposal Not Responsive
- 08 Proposal Not Accepted
- 09 Company Not Responsible
- 10 Other

23. TYPE OF SERVICE OR PRODUCT *(See Date Tables)* ______

(Use AR codes for R&D effort)
(Use codes beginning with "F thru Z" for other services)
(Use codes beginning "1005 thru 9999" for supplies & equip.)

24. PROPOSED PROCUREMENT SYNOPSIZED ______ *(1 = Yes; 2 = No; 3 = No, due to emergency)*

ITEMS 25-33: Y = YES; N = NO

25. ______ CONTRACT ADMINISTRATION DELEGATED

26. ______ CONSULTANT TYPE CONTRACT

27. ______ SUPPORT SERVICES TYPE CONTRACT

28. ______ COST ACCOUNTING STANDARDS CLAUSE

29. ______ NEW TECHNOLOGY CLAUSE

30. ______ SUBCONTRACTING PROGRAM PLAN *(Use "W" for Waiver)*

31. ______ REPORT ON GEOGRAPHICAL DISTRIBUTION OF NASA SUBCONTRACTS

32. ______ SBIR AWARD *(N = Not SBIR; 1 = Phase I; 2 = Phase II)*

33. *(Reserved)*

34. ______ CONTRACT PHYSICALLY COMPLETE *(Y or Blank)*

35. ____________________ MODIF. OBLIGATIONS *(To nearest dollar)*

[illegible] ______ WOMAN-OWNED BUSINESS

- Y YES
- N NO
- 1 NOT CERTIFIED

37. ______ MRR: COST AND PERFORMANCE REPORTING

- N None required
- 2 NF 533M only
- 3 NF 533M & 533Q
- 4 NF 533M & 533P
- 5 NF 533P & 533Q
- 6 NF 533M, 533P & 533Q

38. ______ MRR: PROPERTY AND SPACE HARDWARE REPORTING

- N None required
- 2 NF 1018 without Space Hardware
- 3 NF 1018 with Space Hardware

39. TRADE DATA

______ No. of Bidders Offering Foreign Item (0-9)

______ Buy American Act Percent Difference *(2 positions)*

______ County of Manufacturer *(2 positions)*

40. TOTAL PRICE OR ESTIMATED COST *(To nearest dollar)*

41. TOTAL PROFIT OR FEE *(To nearest dollar)*

42. DESCRIPTION OF CONTRACT/MODIFICATION

PREPARED BY

DATE

*Do not use NASA Form 507A. ** Complete NASA Form 507A. ***See Matrix.*

NASA FORM 507 FEB 85 PREVIOUS EDITIONS ARE OBSOLETE.

RCS 10FACS00590

NATIONAL SCIENCE FOUNDATION
WASHINGTON, D.C. 20550

May 2, 1988

Honorable John LaFalce
Chairman
Committee on Small Business
House of Representatives
Washington, D. C. 20515

Dear Mr. Chairman:

In your April 19, 1988, letter to Mr. Erich Bloch, Director of the National Science Foundation, you requested that NSF provide the Committee with responses to several questions related to the oversight hearings on women's business enterprises.

NSF has two offices (Office of Small Business [illegible] and Office of Small and Disadvantaged Business Utilization) whose major functions are to provide information, guidance and assistance to small, small and disadvantaged, and women-owned businesses interested in the Foundation's research or procurement opportunities. A former Director of the Office of Small Business R&D served as the agency representative on the Interagency Council on Women's Business Enterprise that assisted the Presidential Task Force with the development of the "Report of the President's Task Force on Women Business Owners."

NSF's primary program missions focus on support for basic scientific and engineering research, and science and engineering education. NSF obligates most of its funds through grants to support research projects proposed by a variety of performers in response to both solicited and unsolicited proposals. Formal proposals are evaluated for scientific or technical merit by scientists, engineers, or other experts knowledgeable in the subject matter from the academic, industrial, not-for-profit communities, and from other Federal and government agencies. Thus, the Foundation does not procure major amounts of goods or services from the general commercial market. Generally, NSF does not contract for research.

The Foundation does not make or insure capital loans to businesses or provide commercial assistance type funding. In addition, NSF does not support projects in business administration or methods, or for the development, general production or marketing of products.

However, there are NSF programs, consistent with our missions, that relate in the long term to increasing opportunities for women to succeed as scientists and technologists in business or academic careers. These programs are identified and described on page 5.

The following responses are provided in the order in which the questions appeared in your letter.

1. From 1979 to present, NSF's initiatives undertaken to implement Executive Order 12138 include:

   a. Use of the **SBA PASS** list to identify women-owned small R&D and high technology firms. **Each firm on the list was mailed a copy of our** Small Business Guide to Federal R&D together with a memo from the Director, Office of Small Business R&D, (OSBRD) inviting the use of that office for advice and guidance concerning NSF research/procurement opportunities. **Approximately 40-50 contacts to the OSBRD** resulted from that mailing, and contacts to other agencies may have resulted also from use of the Guide.

   b. Use of the total PASS, FPDC, and other SBIR participating agencies' mailing lists, which include women-owned firms, for notification of NSF-sponsored small business **conferences** and for mailing of NSF Small Business Innovation Research (SBIR) **Program solicitations**. Although conference registration data do not identify women-owned firms, the agency representatives working the one-on-one counselling sessions report a significant increase in the number of women business owners seeking both research and procurement opportunities at the NSF. In addition, the number of SBIR awards to women-owned firms has increased steadily over the past four years.

   c. Transmittal by the Director, Division of Grants and Contracts, of procurement instruction to NSF contracting officials related to the inclusion in NSF contracts of clauses regarding the utilization of women-owned business concerns.

   d. Increased outreach efforts by NSF small business program specialists through **participation in other agency-sponsored procurement fairs**, such as Mega Marketplace, targeted to women-owned businesses. **At least a half dozen immediate follow-up contacts result from such fairs.** In a number of **instances these firms have** competed **successfully** for NSF **procurement** awards.

   e. Agency procurement preference p[illegible] **goals**, which include goals for women-owned business, are monitored by NSF's OSDBU Director, Competition Advocate and Procurement Executive. Such monitoring increases the level of awareness by program and contracting officials of such goals and results in strong efforts to accomplish and exceed the established goals.

f. Future recommendations: NSF plans to continue its outreach efforts to identify and encourage the participation of women-owned business in research and procurement opportunities. In addition, the day prior to the start of the annual NSF sponsored small business high tech conferences, a special session is scheduled for small business firms underrepresented in Federal R&D. This session is designed to introduce these firms to the federally funded R&D arena and will include a seminar on proposal preparation, as well as provide opportunities to meet with federal managers of small business R&D grant and procurement programs.

2. a. NSF contract actions to women-owned businesses for fiscal years 1984-1987, excluding GSA/FSS, as reported to SBA pursuant to provisions of P.L. 95-507:

Fiscal Year	No. of Contract Actions	Total $ Awarded $ in Millions	% of Agency Total Primes
1987	329	$2.807	1.38%
1986	177	$2.313	1.18%
1985	68	$2.392	1.23%
1984	63	$1.230	.63%

8(a) award data for women-owned businesses from 1984-1987 is provided below:

FY 1985--2 awards totalling $358,633

b. The Foundation's missions, small size, lack of field or regional offices, and use of the GSA Supply Schedule contracts limits the overall number and variety of procurement requirements. Most larger NSF procurement requirements are met through competitive negotiations of proposals submitted in response to Requests for Proposals. NSF publicizes these opportunities in the Commerce Business Daily. In addition, NSF often uses mailing lists of other agencies and professional organizations to announce research opportunities. NSF programs also maintain mailing lists for those interested in receiving program announcements and solicitations.

Small firms owned by women and minorities are encouraged to submit their capabilities and experience statements to the

OSDBU for inclusion among their source files and also for circulation to appropriate NSF offices and divisions for information and consideration.

c. Subcontracting opportunities are available under a few large prime contracts for the management and operation of major research facilities and related activities. Most of NSF's major prime contractors are universities or nonprofit scientific research organizations. Approximately 40 to 50% of NSF's total subcontract dollars go to a university which serves as the U.S. science operator, responsible for drillship operations, for the International Ocean Drilling Program activity. Consequently, commercial-type subcontracting opportunities are not that significant. To implement provisions of P.L. 95-507, NSF prime contractors were contacted by NSF contracting officials and advised of the requirements to establish meaningful goals for subcontracts to small, small and minority, and women-owned business. NSF contracting officials review annual subcontracting plans of major prime contractors and encourage utilization of women and minority-owned firms wherever feasible.

Total Subcontract Dollars Awarded by Primes
($ in Millions)

Fiscal Year 1987--$41.590
Fiscal Year 1986--$74.851
Fiscal Year 1985--$63.766
Fiscal Year 1984--$34.044

3. As noted elsewhere in this submission, NSF obligates most of its funds through grants to support basic scientific and engineering research and improvements in science and engineering education. While NSF does not make loans or have programs specifically for business development, there are other activities that relate to the underlying purposes of Executive Order 12138. These activities are identified below.

a. Information on grants awarded to women-owned businesses is available only on awards made in response to the annual Small Business Innovation Research (SBIR) program solicitation.

SBIR Awards to Women-Owned Businesses

Fiscal Year	No. of Awards	Total Dollars Awarded $ in Millions	% of SBIR Budget
1987	[redacted]	$1.771	11
1986	[redacted]	$1.098	7
1985	[redacted]	$ .310	3
1984	[redacted]	-0-	

Information on NSF grants with women principal investigators is provided below. These data include awards resulting from unsolicited research proposals and special program initiatives for women. These programs include: Research Opportunities for Women (ROW), Visiting Professorships for Women (VPW), and Career Access Opportunities in Science and Technology for Women, Minorities, and the Disabled (ACCESS). These special initiatives support activities designed to attract, retain, and broaden the participation of women in science and engineering, and to increase the number of women in research funded by NSF.

NSF Support to Women (excluding SBIR awards above)

Fiscal Year	No. of Awards	Total $ (in Millions)
1987	1,560	$101
1986	1,391	$ 80
1985	1,169	$ 81
1984	999	$ 60

b. NSF's efforts to encourage participation of women in grant programs are identified below:

The National Science Board (the policymaking body of the NSF) and the NSF Director, are strongly committed to broadening the participation of underrepresented groups in NSF's programs and into the mainstream of research and education. NSF's commitments are evidenced by the special initiatives noted below.

The Foundation's policy statement on affirmative action addresses composition of the agency's advisory committees, proposal reviewers and panelists with regard to women, minorities, and handicapped persons.

NSF Assistant Directors established plans to promote full participation of women, minorities, and the handicapped in their activities. These plans received distribution within the agency.

NSF program announcements, RFPs, and information brochures contain language that encourages women, minorities, and the handicapped to submit proposals.

NSF has a Committee on Equal Opportunities in Science and Engineering, appointed by the Director, to provide advice on activities to encourage full participation in science and engineering by underrepresented groups.

Also, the NSF Director recently announced the establishment of an internal Committee on Programs for Women, Minorities and the Disabled. This Committee will review existing programs, policies, and initiatives and advise on their effectiveness.

NSF is actively involved in the Interagency Task Force on Women, Minorities and the Handicapped in Science and Technology.

4. NSF does not have programs relating to or authority over the provision of commercial credit.

5. Data on women-owned businesses is collected to the extent necessary to meet statutory reporting requirements. Organizations are requested to identify whether they qualify as a small, minority, or woman-owned business. This information is requested on NSF's proposal cover sheet. Also, NSF collects information on proposal reviewers and NSF funded project directors in order to monitor the operation of its review and award processes. Submission of these data is not mandatory and is not a precondition of award. Experience to date indicates that these data are reliable and reflect a high level of accuracy.

I hope that this information proves helpful to the Committee.

Sincerely,

Donald Senich
Director, Office of
Small Business R&D

UNITED STATES
NUCLEAR REGULATORY COMMISSION
WASHINGTON, D. C. 20555

May 2, 1988

The Honorable John J. LaFalce
Chairman, Committee on Small Business
United States House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This responds to your letter of April 19, 1988, requesting information regarding actions taken to ensure full participation of women-owned businesses in our acquisition program.

Answers to your specific questions have been separately addressed and included as an enclosure to this letter.

I hope this information will assist you during your oversight hearings on women's business enterprises.

If I can provide further information, please let me know.

Sincerely,

for

Victor Stello, Jr.
Executive Director for Operations

Enclosure:
As stated

QUESTION 1. Executive Order 12138 requires that each Federal department and agency "take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system." Please identify every initiative your agency has undertaken pursuant to this executive order, the impact of the initiative, the office responsible for the initiative, your assessment of the success or failure of each, and your recommendations for future initiatives.

ANSWER.

The U.S. Nuclear Regulatory Commission has undertaken several initiatives pursuant to Executive Order 12138. Our Office of Small and Disadvantaged Business Utilization/Civil Rights **(OSDBU/CR)** is represented on the Interagency Committee on Women's Business Enterprise (IACWBE) established by this Executive Order. Harris Coleman, OSDBU/CR, served as Subcommittee Chairman and actively participated in the drafting of a Model Training Program for the novice woman business owner who wants to do business with the Federal Government. This training program is set forth in Appendix D of the Committee's 1987 Annual Report, a copy of which is enclosed. Further, the OSDBU/CR **participates in all major procurement conferences**, where there is an opportunity to meet small businesses including women-owned businesses. Examples of such conferences are: The May Small Business Week Conference, the

Lafalce/SDBU/CR
4/27/88

QUESTION 1. (Continued)

MEGA-Marketplace Symposium for women-owned businesses (for which the NRC gave financial assistance through the U.S. Department of Commerce), and the October Minority Enterprise Development Week. Many copies of the above-mentioned Model Training Program were given to women business owners who attended these conferences. We are pleased to note that this Model Training Program has been very successful in acquainting women-owned small businesses with the Federal procurement process.

Finally, we believe that Congress should appropriate funds for an annual national woman-owned business conference like the MEGA-Marketplace Symposium. In our view, the conference should be held on the East Coast with a series of training lectures on a variety of procurement topics as part of the agenda. In addition, the conference would provide an opportunity for women-owned businesses to meet with representatives from Federal agencies to explore areas of mutual interest.

Enclosure: Appendix D of the
1987 Annual Report

Lafalce/SDBU/CR
4/27/88

QUESTION 2. Please supply the Committee with the following information for each of the last four years:

a. the number, total dollars, and relative percentages such figures represent for all contracts awarded by your agency to women-owned businesses identifying separately awards made pursuant to section 8(a) of the Small Business Act.

ANSWER.

The following chart displays requested information. Please note that the totals under columns (6) and (7) are included in columns (2) and (4).

CONTRACTS WITH WOMEN-OWNED BUSINESSES (WOB)

(1) PERIOD COVERED	(2) NUMBER OF WOB CONTRACTS	(3) TOTAL NRC OBLIG.	(4) ALL OBLIG. TO WOB	(5) % OF TOTAL NRC OBLIG.	(6) SBA 8(a)	(7) 8(a) OBLIG. TO WOB
FY 88 (TO DATE)	14	$28,658,112	$1,456,999	5.1%	5	$189,000
FY 87	19	$49,408,217	$1,359,764	2.8%	6	$224,453
FY 86	17	$46,060,490	$1,021,854	2.2%	6	$135,984
FY 85	15	$55,338,709	$1,311,940	2.4%	4	$300,443
FY 84	18	$56,172,475	$1,114,856	1.9%	9	$403,473

LaFalce/DC/ARM
4/27/88

QUESTION 2. (Continued)

b. The efforts made by your agency to ensure that women-owned businesses appear on government bidders' lists and are being forwarded solicitation packages for contracting opportunities;

ANSWER.

The agency maintains a Bidders' Mailing List system which it uses to mail solicitations on a rotational basis to interested firms in the areas of expertise identified by those firms. NRC representatives at Women-Owned Business Conferences distribute SF 129, "Solicitation Mailing List Application," forms advising conference participants to mail these forms liberally among federal agencies identifying their areas of expertise so they may receive solicitation documents directly. Once women-owned firms are identified on NRC's Bidders' Mailing List, each of these firms is provided copies of solicitations within their areas of expertise. Currently, there are 171 women-owned businesses in our system.

LaFalce/DC/ARM
4/27/88

QUESTION 2. (Continued)

c. total dollar amount of subcontracting commitments made by large prime contractors with your agency and efforts to encourage primes to utilize women-owned small business concerns.

ANSWER.

TOTAL SUBCONTRACT COMMITMENTS

FY88 (1st Qtr)	$ 651,285
FY87	1,698,522
FY86	2,313,403
FY85	2,976,678
FY84	2,049,809

In order to encourage prime contractors to utilize women-owned small businesses, the NRC complies with the provisions of FAR 19.9 and inserts FAR Clause 52.219-13, "Utilization of Women-Owned Small Businesses," in solicitations and contracts when the contract amount is expected to exceed the small purchases limitation. Further, the agency reviews all

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4/27/88

QUESTION 2c. (Continued)

subcontracting plans to determine if subcontracting opportunities exist for women-owned businesses. If NRC determines that there are not a sufficient number of women-owned businesses reflected on a prospective contractor's Subcontracting Plan, NRC initiates contract negotiations with the firm to encourage the offeror to consider increasing their participation of women-owned businesses as they finalize their Subcontracting Plan.

LaFalce/DC/ARM
4/27/88

QUESTION 3. If your agency makes grants or loans, please supply the following information for each of the last four years:

a. the number, total dollars, and relative percentages such figures represent for all such grants or loans made to women-owned businesses;

b. efforts made by your agency to encourage the participation of women in grant and loan programs.

ANSWER.

The NRC does not make grants or loans to commercial entities. The availability of funds for financial assistance to educational institutions, nonprofit institutions, state and local governments, and professional societies is published annually in the Federal Register.

QUESTION 4. If your agency has programs relating to, or regulatory authority over, the provision of commercial credit, in any form, describe any initiatives undertaken by the agency, or subject to its programmatic or regulatory authority, that are directed toward women business owners or that may be more likely to affect such owners in any significant way. In your response, please detail such program or authority and provide such statistical or other data that may serve to describe the efforts of your agency.

ANSWER.

The NRC does not have programs relating to, or regulatory authority over, the provision of commercial credit.

Lafalce/DC/ARM
4/27/88

QUESTION 5. Please list all types of data within the control of your agency regarding women-owned businesses indicating the usage that your agency has for such data, the sufficiency of the data, its reliability and any improvements in data collection, retrieval or usage planned or desired by the agency to better assist its efforts in this area.

ANSWER.

We maintain the capability statements submitted by women-owned businesses with their SF 129 Solicitation Mailing List Application. We also maintain data regarding the NRC Annual Goaling Program and the Annual Report setting forth actual accomplishments achieved through contract awards to women-owned businesses.

We plan to maintain a separate list of women-owned businesses who participate in our contracting program. We will obtain this information from the representations and certifications submitted by women-owned businesses in response to our solicitations. We plan to issue solicitations on a rotational basis to these women-owned firms so that they can compete with others for our contract awards. We also plan to send this information to our SDBU/CR Office.

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

OFFICE OF THE ADMINISTRATOR

RECEIVED
MAY 10 1988
Committee on Small Business

MAY 6 1988

Honorable John J. LaFalce
Chairman
Committee on Small Business
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

This is in response to your letter of April 19, requesting answers to questions addressing government policies and programs which affect women business owners.

Question #1

IRS figures show that in 1980 there were 2.5 million women non-farm sole proprietorships with receipts of $36 billion. The latest IRS figures show that there are a total of 3.7 million women non-farm sole proprietorships with receipts of $65 billion.

One of the responsibilities of the Office of Women's Business Ownership is to negotiate contract goals for women-owned businesses on an annual basis. Negotiation of prime contracts goals with all Federal agencies began in 1979 with total agency achievements at $181.3 million. Every year since 1979 there has been a dramatic increase in both goals and achievements. Goals in 1987 reached $1,496.4 billion and achievements were 1% of the total Federal procurement dollar or $1,731.7 billion. The result of the continually increasing Federal procurement goals to women-owned businesses not only translates into business growth but assists in expanding the size of the firms.

There is no government-wide set-aside program to assure a certain percentage of procurement for women. Negotiations with Federal agencies for increased procurement is accomplished through a process of negotiation which has been successful. Continued congressional pressure to increase minority goals could have a negative impact on future procurement goals for women.

The Office of Women's Business Ownership serves a constituency of nearly 1/3 of the small business community by strengthening and promoting women-owned businesses, particularly where the lack of business education and management skills are a factor impeding success.

Cont. Question 1

In the last eighteen months major co-sponsored conferences attracted 29,000 attendees. There is not only educational value attached to these conferences but also a networking and marketing value to attendees.

Publications which provided comprehensive information on Federal legislation, regulations, data and procurement have been disseminated to over 4,000 women annually.

The SBA has consistently provided training and counseling opportunities for all people interested in owning a small business. The OWBO, however, is the only office within SBA to specifically target women. Each office in the agency has promoted the participation of women in order to mainstream them in the general business community.

The OWBO has successfully implemented this agency's initiatives by providing conferences, training publications and briefings.

Question 2. a.:

Formal contracts for the following years:

Fiscal Year 1984:

8(a) : Twenty four (24) actions for $2,089,000.00
Non-8(a) : Ten (10) actions for $171,018.00

Fiscal year 1985:

8(a) : Twenty one (21) actions for $1,332,474.00
Non-8(a) : Six (6) actions for $373,910.00

Fiscal year 1986:

8(a) : Twenty one (21) actions for $1,580,524.00
Non-8(a) : One (1) action for $51,117.00

Fiscal year 1987:

8(a) : Eighteen (18) actions for $3,130,760.00
Non-8(a) : Five (5) actions for $74,960.00

Totals:

8(a) : Eighty Four (84) actions for $8,133,338.00
Non-8(a) : Twenty two (22) actions for $471,115.00

Cont. Question 2

Question 2. b.:

The Office of Procurement and Grants Management maintains a current bidders list containing names of past women-owned businesses awarded SBA contracts. These firms are notified of SBA contracting opportunities.

Question 2. c.:

The Office of Procurement and Grants Management has never maintained records pertaining to subcontracting commitments of large prime contractors.

Question 3. a. and b.:

The Office of Procurement and Grants Management is responsible for issuing grant awards for the SBA's Office of Minority Small Business for some 160 awards totaling over 10 million Federal dollars.

Question #4

The Small Business Administration provides loan guarantees and direct loans to small businesses which are otherwise unable to obtain financing from commercial lenders on reasonable terms. SBA, like all lending institutions, has certain credit and policy requirements that all applicants must meet. Among those requirements are an adequate equity investment in the business, evidence of ability to repay the loan from earnings and a reasonable amount of collateral. While every effort is made within the scope of our authority to assist women-owned small businesses, such applicants must meet the same credit requirements that all loan applicants must meet.

The following information pertains to SBA loan approvals for Fiscal Years 1984 through 1987.

BUSINESS LOAN APPROVALS
Fiscal Year 1984-1987
($'s in million)

	Loans to Women-Owned Business			Loans to All Businesses	
	Number of Loans	% of Total $'s	Total Amount	Number of Loans	Total Amount
1984	2,103	10.7%	$212.6	19,664	3,104.7
1985	2,131	11.9%	$210.6	17,898	2,991.7
1986	1,515	10.0%	$199.8	15,197	2,648.2
1987	1,565	10.1%	$203.3	15,430	2,834.5

Cont. Question 4

502/503/504 LOANS
APPROVED TO WOMEN-
OWNED BUSINESS

% of Total

Fiscal Year	Number	Portfolio	Amount	Portfolio
1984	61	3.7%	$9,254	2.7%
1985	83	5.7%	15,136	4.9%
1986	59	3.8%	11,912	3.4%
1987	65	3.9%	16,541	4.2%
	268		$52,843	

Question #5

The Small Business Administration is not, itself, in the position to originate basic data about women-owned business, but the SBA does have an active program of analyzing and publishing relevant data which has been developed by other sources. For example, the Office of Advocacy obtains and analyzes information on women-owned business from both major Federal business data sources, the Bureau of the Census and the Internal Revenue Service.

The Bureau of the Census, at five-year intervals, collects information on the number of women business owners, the number of women business owners with employees, the receipts of women business owners, and the location of women-owned businesses. This summary data is usually published by Census with a three-year lag, i.e., the 1987 business census data will be published in 1990.

The Internal Revenue Service collects information on women-owned sole proprietorships, but does not publish such data. (Gender identification of partnerships and corporations is not available). The Office of Advocacy pays for a special tabulation from the Internal Revenue Service which provides up-to-date data on the number of women-owned sole proprietorships and their receipts. The latest available Census data are from 1982, while the latest Internal Revenue Service data covers the year 1985. (This 1985 data is being published in the 1988 State of Small Business).

Cont. Question 5

As a follow-up to the 1982 Business Census, the Office of Women's Business Ownership within the SBA and the Minority Business Development Agency of the Department of Commerce co-funded an in-depth survey of women-owned and minority-owned businesses. The Bureau of the Census recently published summary data from this survey in a volume called Characteristics of Business Owners. There is considerable data from the survey which is available at Census, but has not yet been published or analyzed. At the present time, the Office of Advocacy is actively working with Census to accelerate the use of the data. In fact, the Office of Advocacy has recently arranged to have one of its professional economists become a deputized Census agent so that we can access the data in the Census office directly. The Office of Advocacy will publish its research in a companion volume to the 1988 President's Report during the late summer. The sample data sets developed by the Bureau of the Census during this project will also be available to outside researchers at relatively low cost. The Office of Advocacy also maintains data on approximately 5 million business establishments in its Small Business Data Base. The SBA data is licensed from private sources which obtain basic information on a voluntary basis. In the licensed data, businesses are characterized by industry, geographic location, employment size, age, and sales, but not by race or gender of ownership. Sampling techniques have been used by SBA to develop working samples of women or minority-owned businesses within the Small Business Data Base, but expanding such random sampling to obtain ownership data for the entire file is not practical due to significant methodological limitations.

SBA collects data from several sources on procurement from women-owned firms. The SBA Office of Procurement collects data from other federal agencies and is dependent upon cooperation from the other federal agencies to ensure that the procurement data collected meets the definitions and standards established by the Small Business Administration. The Office of Advocacy produces somewhat more extensive data on procurement from women-owned businesses using information obtained from the Federal Procurement Data Center (FPDC). The SBA generated data is available earlier, but is not as detailed as the FPDC data.

We are not aware of any other Federal data collections specifically related to either women-owned business or minority-owned business, other than the collections cited above. The Office of Advocacy, from time to time, undertakes surveys of small business in connection with studies of applied policy issues of concern to small business. It is policy within the Office of Advocacy that these studies, whenever possible, be organized to provide information on women-owned business or minority-owned business.

We appreciate the opportunity to comment on these questions.

Sincerely,

James Abdnor

James Abdnor
Administrator

U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

RECEIVED

MAY 2 1988

Committee on Small Business

April 29, 1988

Honorable John J. LaFalce
Chairman
Committee on Small Business
2367 Rayburn House Office Building
Washington, DC 20515

Dear Congressman LaFalce:

Enclosed please find the information you requested on goals and achievements for women business owners over the past several years.

I understand I will be asked to testify on May 11 and I am looking forward to the opportunity.

With every best wish, I remain,

Sincerely,

Carol

Carol M. Crockett
Director
Office of Women's
Business Ownership

Enclosure

WOMEN'S BUSINESS OWNERSHIP PROCUREMENT REPORT
FEDERAL PRIME CONTRACT AWARDS
WOMEN-OWNED BUSINESS GOALS AND ACHIEVEMENTS
(Dollars in Millions)

(1982)

Federal Agency	Dollar Goal Prime Contract Awards to Women-Owned[1] Business	Actual Prime Contract Awards to Women-Owned[2] Business
Defense	305.0	402.0[3]
Energy	25.0	78.5
NASA	6.6	11.8
GSA(Non-FSS)	21.5	30.8
– GSA(FSS Only)	13.8	9.8
TVA	8.0	*
VA	20.2	*
Agriculture	12.0	19.0
HHS	13.4	18.8
Interior	11.6	22.6
Transportation	9.1	*
– EPA	2.5	2.2
– Labor	14.1	10.2
Justice	.75	2.6
Commerce	3.4	2.9
AID	1.6	*
HUD	6.2	*
Treasury	0.5	4.7
NSF	.3	*
– State	3.0	2.4
FEMA	.27	.530
NRC	0.0	.216
Education	1.9	*
– U.S. Info. Agcy.	0.3	.282
OPM	.07	.461
SBA	.1	*
ACTION	.06	.415
PADC	.0	*
ALL OTHERS	1.71	
TOTALS	482.96	

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[1] Source: Office of Women's Business Ownership
Small Business Administration

*Agency Reports not yet available

[2] Source: Individual Agency Reports
[3] Source: Unofficial from Agency letter

WOMEN'S BUSINESS OWNERSHIP PROCUREMENT REPORT
FEDERAL PRIME CONTRACT GOALS AND AWARDS
WOMEN-OWNED BUSINESS GOALS AND ACHIEVEMENTS

(Dollars in Millions)

(1981)

Federal Agency	Dollar Goal Prime Contract Awards to Women-Owned[1] Business	Actual Prime Contract Awards to Women-Owned[2] Business
Defense	235.0	336.0
Energy	15.0	38.0
NASA	6.8	7.7
GSA(Non-FSS)	21.5	21.3
GSA(FSS Only)	---	14.1
TVA	7.2	4.5
VA	10.1	24.0
Agriculture	11.1	19.7
Interior	9.8	26.7
Transportation	20.0	25.0
HHS	27.2	24.3
EPA	4.0	2.6
Labor	14.5	56.1
AID	2.3	1.7
Education	1.8	2.4
HUD	9.1	8.6
Treasury	1.4	.5
Commerce	5.4	4.3
Justice	.25	3.7
NSF	.2	.486
FEMA	.34	.417
State	3.5	3.5
U.S. Info. Agcy.	.34	2.4
NRC	.34	.022
OPM	.06	.185
SBA	.2	.564
ACTION	.1	.126
PADC	.4	---
ALL OTHERS	---	2.6
TOTALS	407.93	631.5

[1] Source: Office of Women's Business Ownership
Small Business Administration

[2] Source: Individual Agency Reports

C

OFFICE OF WOMEN BUSINESS OWNERSHIP SUMMARY REPORT ON FISCAL YEAR 1986 TOTAL WOMEN SMALL BUSINESS PRIME CONTRACT AWARDS GOALS

	Jointly Established Final Projections		($ in millions)			Actual Achievement by Federal Agency					FY 87 GOAL
	Est. Total Procurement Volume Awards	Small Business Established Goal		Women's Goal—% of Total Awards		Total Procurement Volume Awards	Small Business Shares		Women's Share		
DOD	142.800.0	26.400.0	8.5%	925.0	.7 %	136.500.0	26.900.0	19.7%	1.100.0	1.8 %	1.8 %
DOE	11.513.0	404.0	3.5%	85.0	.7 %	13.250.1	360.0	2.7%	150.8	1.1 %	1. %
NASA	6.372.0	567.0	8.9%	39.0	.62%	6.206.3	613.0	9.9%	49.8	.8 %	.6 %
GSA	2.878.8	1.048.8	36.6%	39.4	.75%	3.706.8	1.120.9	30.2%	61.3	1.1 %	1.1 %
VA	2.651.9	641.5	41.0%	42.4	1.6 %	2.843.4	610.9	34.0%	39.0	1.4 %	1.0 %
TVA	2.7	960.0	36.9%	8.0	.3 %	2.570.0	1.360.4	54.6%	4.9	.2 %	.4 %
USDA	2.008.0	910.2	54. %	40.2	2.0 %	2.576.3	1.105.8	52.1%	37.9	1.4 %	1.8 %
HHS	1.554.8	318.8	27.9%	27.9	1.8 %	1.576.1	388.5	31.0%	36.8	2.4 %	1.9 %
DOT	1.736.4	575.5	35.9%	27.6	1.6 %	2.134.3	736.6	34.5%	25.1	1.2 %	1.4 %
DOI	1.021.0	409.3	56.2%	19.4	1.9 %	1.151.4	477.1	50.6%	24.8	2.2 %	1.9 %
EPA	615.0	182.7	31.5%	10.5	1.7 %	642.0	152.9	25.6%	7.0	1.39%	1.8 %
DOL	573.6	70.1	12.5%	6.3	1.1 %	554.2	66.5	12.6%	6.7	1.2 %	1.2 %
DOJ	442.8	90.0	30.2%	4.9	1.1 %	419.1	78.6	30.8%	5.6	1.3 %	Not Avl
DOC	356.7	98.3	34.9%	7.6	2.1 %	381.8	97.0	33.1%	13.1	3.4 %	2.8 %
AID	264.0	78.0	30.1%	9.0	3.4 %	443.3	132.3	30.8%	8.2	1.9 %	3.0 %
HUD	146.1	69.1	58.0%	5.8	4.0 %	224.1	101.9	53.0%	2.4	1.0 %	4. %
DOTR	262.3	99.4	37.9%	6.3	2.4 %	388.4	152.3	39.2%	20.6	5.3 %	4.1 %
NSF	190.0	4.1	2.2%	.8	.42%	196.6	5.1	2.6%	2.3	1.18%	1.2 %
STATE	200.0	78.5	43.6%	13.3	3.7 %	361.8	124.5	36.8%	8.2	2.2 %	1.9 %
FEMA	235.0	35.8	16.6%	.4	.2 %	199.3	40.6	20.9%	.4	.2 %	.21%
NRC	53.0	19.4	39.5%	1.1	2.0 %	46.1	18.4	43.2%	1.0	2.2 %	2.45%
DOED	151.0	29.6	20.0%	3.0	2.0 %	173.3	36.5	21.6%	3.0	1.6 %	2. %
USIA	110.0	20.8	24.5%	2.2	2.0 %	81.4	13.0	22.9%	2.3	2.9 %	2.5 %
OPM	60.8	25.2	48.0%	7.3	12.0 %	45.2	20.7	52.0%	.2	.6 %	7.5 %
SBA	20.0	10.3	68.5%	.5	2.5 %	28.0	11.1	60.5%	1.5	2.5 %	3. %

SBA

TRENDS IN FEDERAL PRIME CONTRACT AWARD ACTIVITY TO WOMEN OWNED SMALL BUSINESSES

FY	Goals (mils.)	Achievements (mils.)
1979		$181.3
1980	$211.3	388.4
1981	407.9	631.5
1982	480.4	683.3
1983	640.0	863.4
1984	865.7	1,146.6
1985	1,066.3	1,283.3
1986	1,330.2	1,613.7
1987	1,496.4	1,731.7

Percentage of Prime Contract Award Achievements
to Women-owned Small Businesses to Total Procurement

FY	
1979	.22
1980	.37
1981	.56
1982	.52
1983	.57
1984	.71
1985	.74
1986	.9
1987	1.0

SBA

TRENDS IN FEDERAL PRIME CONTRACT AWARD ACTIVITY TO WOMEN OWNED SMALL BUSINESSES

FY	Goals (mils.)	Achievements (mils.)
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FY	
1979	.22
1980	.37
1981	.56
1982	.52
1983	.57
1984	.71
1985	.74
1986	.9
1987	1.0

WOMEN LOAN APPROVALS/DISBURSED
AS OF 4/30/88

5/26/88

FY	ETHNIC CATEGURY	# LOANS	TOTAL AMOUNT	SBA AMOUNT
84	MINORITY	381	$33,925,450	$30,471,748
84	NON/MINORITY	1532	$162,990,229	$143,479,773
		1913	$196,915,679	$173,951,521
85	MINORITY	398	$36,449,288	$32,897,339
85	NON/MINORITY	1509	$161,754,284	$141,871,016
		1907	$198,203,572	$174,768,355
86	MINORITY	231	$31,213,498	$26,441,309
86	NON/MINORITY	1145	$153,314,041	$129,639,055
		1376	$184,527,539	$156,080,364
87	MINORITY	216	$26,151,438	$22,444,639
87	NON/MINORITY	1151	$149,785,254	$125,366,739
		1367	$175,936,692	$147,811,378
TOTAL LOANS:		6563	$755,583,482	$652,611,618

5/26/88

WOMEN LOAN APPROVALS

FY	ETHNIC CATEGORY	# LOANS	TOTAL AMOUNT	SBA AMOUNT
84	MINORITY	430	$37,613,217	$33,870,355
84	NON/MINORITY	1734	$184,376,465	$162,557,661
		2164	$221,989,682	$196,428,016
85	MINORITY	475	$43,091,641	$38,931,716
85	NON/MINORITY	1739	$183,365,866	$160,791,252
		2214	$226,457,507	$199,722,968
86	MINORITY	266	$34,906,998	$29,760,786
86	NON/MINORITY	1308	$177,279,841	$150,454,332
		1574	$212,186,839	$180,215,118
87	MINORITY	270	$34,444,738	$29,747,709
87	NON/MINORITY	1360	$185,879,663	$156,153,589
		1630	$220,324,401	$185,901,298
TOTAL LOANS:		7582	$880,958,429	$762,267,400

U.S. Department of Transportation
Office of the Secretary of Transportation

400 Seventh St. S.W.
Washington, D.C. 20590

MAY 9 1988

The Honorable John J. LaFalce
Chairman, Committee of Small Business
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Thank you for your letter requesting information on the Department of Transportation's (DOT) policies and programs which affect Women-owned Business Enterprises (WBEs).

Since 1980, the Department has implemented various successful initiatives to ensure continued high level involvement of women in DOT direct and federally-assisted procurements. The initiatives are summarized below and include efforts such as establishing and monitoring procurement goals, providing marketing assistance, loan and bonding assistance, attending WBE procurement conferences and recognizing outstanding WBE contributions to the DOT, as well as other initiatives.

> The Office of Small and Disadvantaged Business Utilization (OSDBU), Direct Contracting and Financial Assistance Division negotiates WBE goals with all DOT procurement offices and the Small Business Administration (SBA). This is done prior to the beginning of each fiscal year (FY). The result of the annual goal has been to assure that women receive an equitable part of the contracts/procurements awarded by the Department. Further, the data are compiled and totaled at the end of the FY and reported to the SBA and Minority Business Development Agency (MBDA). The data are regarded as an accurate reflection of DOT procurement activities. They also provide guidance to the DOT Operating Administrations for future year procurement planning purposes. This division also monitors the Disadvantaged Business Enterprise (DBE) (includes WBE) goal setting practices of federally-assisted State and local transportation agencies. Enclosure A provides a history of WBE achievements in the DOT direct contracting program. Enclosure B provides information on WBE achievements in federally-assisted procurements of DOT recipients.

The OSDBU and the DOT Operating Administrations Offices of Civil Rights provide capability statements for WBEs to all offices within the agency where contracting opportunities appear to exist. These capability statements are used by the appropriate offices in an effort to assure that WBEs have every opportunity to participate in the Department's contract/procurement process. In addition to this procedure, there are Small and Disadvantaged Business Utilization liaison personnel located in each DOT Operating Administration. The liaison personnel have the responsibility to identify contracting opportunities throughout the agency and to promote the maximum utilization of WBEs.

The OSDBU has developed and implemented a Marketing Presentation Program to assist the women and minority business communities in marketing their firms in the Department. This program is designed to assist firms located outside the Washington Metropolitan Area, whose representatives have limited time during their marketing visits. Approximately every six weeks, the OSDBU schedules presentations for two (2) firms to present their capabilities to procurement and program staff from all DOT Operating Administrations. As a result of the presentations, some firms have been able to identify specific procurement opportunities on which to submit bids.

The OSDBU/Minority Business Resource Center (MBRC) has undertaken several initiatives to strengthen WBE achievements from FY 1982 to FY 1988 (Enclosure C). Moreover, all OSDBU/MBRC financial assistance programs are available to WBEs in support of transportation-related contracts.

The OSDBU/MBRC has contracted with a WBE firm located in New Orleans, Louisiana, to increase the level of participation of WBEs in DOT direct and federally-assisted procurements. The firm will conduct a series of seminars in conjunction with national WBE trade association conferences as a means of providing an impetus to WBEs in transportation-related contracts and services. This is a one year effort with an option for a second year.

The DOT/OSDBU/MBRC Short-Term Lending Program enables WBEs/DBEs to obtain short-term working capital at prime interest rates. The purpose is to increase the number of WBEs/DBEs that enter into transportation-related contracts and to strengthen the competitive and productive capabilities of the WBEs/DBEs that currently do business with DOT, its grantees, recipients, their contractors and subcontractors. Also, it serves as a vehicle to enable WBEs/DBEs to establish creditworthiness and banking relationships for future independent transactions.

The DOT/OSDBU/MBRC Bonding Assistance Program enables WBEs/DBEs to obtain bid, payment, and performance bonds for transportation-related contracts emanating from the DOT, its grantees, recipients, their contractors and subcontractors. The program also provides an opportunity for WBEs/DBEs to establish a positive performance record and enables them to obtain bonds independently within the standard surety bond industry. The MBRC administers the program with participating sureties and a Managing General Agent (MGA). The current sureties of record are the Fidelity and Deposit Company of Maryland and the Indiana Lumbermens Mutual Insurance Company through the Midwest Indemnity Corporation, MGA. The DOT performs preliminary underwriting on all bond packages received from WBEs/DBEs prior to submission to sureties. In addition, for the DOT Bond Readiness activity, bond packages will be reviewed in advance of obtaining a transportation-related contract. DOT provides an 80% guaranty of all bonds issued under the program. During the years 1982 through 1986 there were five (5) WBE final bonds, and to date for FY 1988 there is one (1) bid and performance bond application.

Traditionally, DOT participates in SBA, MBDA and Congressionally sponsored procurement workshops/conferences to increase the understanding of WBEs/DBEs of the procedures for contracting with the Government for supplies and services through competitive negotiations. In FY 1987, the DOT personnel attended an East/West conference specifically for women: Mega Marketplace (Washington, D.C./Los Angeles, CA). Further, the Department participates in procurement fairs/conferences/workshops throughout the country to provide information to WBEs.

The Department's OSDBU Liaison Officers regularly meet with marketing representatives from women-owned firms and, as procurement plans are made, try to match WBE qualifications with procurement requests to enhance their opportunities to compete for Departmental contracting opportunities.

The DOT makes every effort to include WBEs in the Department's procurement process. The SF-129 "Bidders List Application" is used Department-wide to insure that WBEs are on bidder's lists and that solicitation packages are forwarded as the opportunity becomes available.

The DOT also promotes the involvement of WBEs and small businesses through its subcontracting program. The program requires the prime contractor to maximize small and disadvantaged business subcontracting opportunities in large DOT prime contracts in accordance with Public Law 95-507. To enhance the contracting opportunities, small and disadvantaged business firms may identify their capabilities to major prime contractors using the DOT Subcontracting Directory. Enclosure D provides information on small and disadvantaged business subcontracting awards in the direct contracting program from FY 1984 to FY 1988.

The DOT Minority Enterprise Development (MED) Week Awards Ceremony involves the OSDBU in cooperation with the DOT Operating Administrations to organize and implement an Annual MED Week Awards Ceremony that recognizes the outstanding contributions and accomplisments of women and minority business owners to the Department's programs. At the same time, DOT recognizes its program and procurement officials (some of whom are women) for their outstanding contributions to the DOT Women and Minority Business Programs. These awards serve as an incentive to increase awards to small and disadvantaged businesses.

Since 1980, the DOT minority business enterprise regulation (49 CFR 23) has required grant recipients to establish a goal for the utilization of WBEs. The DOT recipients have total responsibility for certifying firms as WBEs/DBEs. However, the Departmental Office of Civil Rights has total responsibility for appeals of denial of WBE/DBE certification and third-party complaints. This office has been thoroughly reviewing the appeals to make sure that WBEs are treated fairly by DOT recipients in their determinations of eligibility for WBE certification.

With the passage of the Surface Transportation and Uniform Relocation Assistance Act (STURAA) of 1987, women are now presumed to be socially and economically disadvantaged. Therefore, recipients are required to include projected WBE participation in a single DBE goal.

The Federal Highway Administration (FHWA) also funds the DBE Supportive Services Program which provides training and assistance to WBEs/DBEs. The ultimate goal of the DBE Supportive Services Program is to increase the level of WBE/DBE participation in Federal-aid contract work. FHWA is attempting to achieve this goal by providing assistance that accomplishes two objectives: 1) to increase the total number of WBEs/DBEs active in highway construction and 2) to contribute to the growth and eventual self-sufficiency of individual minority, disadvantaged and women firms. The DBE Supportive Services Program has been successful in providing assistance to WBEs/DBEs.

In FHWA's Office of Direct Federal Programs, which contracts primarily for construction work on Federal lands highways, listings of WBE firms are included in solicitation packages whenever available. The listings are intended to assist prime contractors in identifying potential subcontractors for the proposed work.

Section 20 (Human Resource Programs) of the Urban Mass Transportation Act of 1964, as amended, provides for limited funding for projects designed to address human resource needs in the transit industry. A significant portion of these funds has been devoted to projects designed to enhance the participation of DBEs in all phases of the transit industry. Several projects have provided training to DBEs in various areas of business development and other projects have provided technical assistance for purposes of enhancing the managerial skills of DBEs. Notable projects which have been targeted to WBEs include assisting WBEs to enter the rapidly-expanding transit vehicle manufacturing industry and a project designed to encourage women to enter the transit marketplace as entrepreneurs. Both projects are designed to enhance the WBE participation level in all phases of the transit industry and to develop the overall competitive capacity of the WBE community.

Through the Urban Mass Transportation Administration (UMTA) Section 20 program, three projects provide loans for DBEs (including WBEs). These projects are located in Milwaukee, Wisconsin; and Harrisburg and Philadelphia, Pennsylvania. The loans are to provide capital assistance so these firms can fully participate on UMTA-assisted projects.

The UMTA's Section 6 (Research, Development, and Demonstration Projects), also has benefitted WBEs through various grants and contracts let by the agency. Program managers and officers are encouraged to utilize to the fullest extent possible the services of WBEs.

The FHWA, Federal Aviation Administration (FAA), Federal Railroad Administration (FRA) and UMTA collect WBE achievement data on a quarterly basis. This information is compiled by the agencies' Offices of Civil Rights, and national quarterly and summary reports are issued to the OSDBU. The information is used to monitor DBE participation in federally-assisted procurements to assure attainment of recipients' annual DBE goals. It is also used to track the relative levels of participation of ethnic minority and WBEs in these procurements. The reporting system took considerable time and effort to develop and implement, and in some instances, is computerized both at the field offices and Washington Headquarters. Experience indicates that we have an accurate, timely, and reliable data collection system for DBE/WBE achievements of DOT recipients.

The overall DOT/WBE program has been most successful in increasing both the number and dollar value of DOT direct and federally-assisted awards to WBEs. The DOT remains fully committed toward expanding opportunities for greater participation by WBEs in our marketplace.

If additional information is required, please contact Will Terry Moore, at 366-1902. Thank you for the opportunity to comment.

Sincerely,

Amparo B. Bouchey

Amparo B. Bouchey
Acting Director
Office of Small and Disadvantaged
Business Utilization

Enclosures

ENCLOSURE A

WBE Achievements in DOT Direct Contracting Program FY 1982 thru FY 1988

Fiscal Year	WBE Awards ($)*	Percent WBE*	8(a) Awards ($)**	Percent 8(a)**
1982	14,711,000	1.20	96,199,000	7.90
1983	26,482,000	1.60	149,965,000	9.50
1984	32,374,000	2.20	174,247,000	10.50
1985	26,938,000	1.10	226,484,000	9.70
1986	25,100,000	1.20	256,322,000	12.00
1987	27,443,000	1.26	253,936,000	11.63
1988 (6 mo.)	11,975,000	1.16	138,382,000	13.41

* These awards reflect the ability of WBEs to successfully compete for DOT funded procurements. There is no "set-aside" or other program strictly for WBE, except sole-source.

** These awards include WBE as well as other socially and economically disadvantaged individuals.

ENCLOSURE B

WBE Achievements of DOT Recipients by Operating Administration FY 1981 and FY 1988

Years & Operating Administrations	WBE Awards ($)	Percent WBE	Number of Contracts
1981			
FHWA	164,900,000	1.90	1881
UMTA	22,288,680	1.60	
1982			
FHWA	237,608,312	3.00	3074
UMTA	16,353,363	1.30	
1983			
FHWA	254,950,000	3.13	3962
UMTA	47,419,115	2.28	1448
1984			
FHWA	295,221,344	3.20	4870
UMTA	72,799,247	3.71	6622
1985			
FHWA	306,818,000	2.75	6268
UMTA	64,457,857	3.49	7815
FAA	25,604,237	3.30	
1986			
FHWA	327,425,000	3.00	6520
UMTA	59,814,610	3.70	1979
FAA	22,706,723	4.00	
1987			
FHWA	339,207,000	3.26	6033
UMTA	45,583,771	3.45	
FAA	33,016,975	4.60	
1988			
FHWA (3 mo.)	76,300,000	3.07	1206
UMTA			
FAA			

ENCLOSURE C

MINORITY BUSINESS RESOURCE CENTER

WOMEN BUSINESS ENTERPRISE ACHIEVEMENTS

CONTRACTS/GRANTS

1988 -	Planned WBE effort	$250,000
	Public Information & Awareness Project	$220,000
1987 -	Nationwide Women Business Enterprise Outreach Project	$233,739
	City Of Cleveland, Ohio, Professional Women-outreach Project	$100,000
	OSDBU Program Survey	$ 50,000
1986 -	Nationwide Women-Business Enterprise Outreach Project	$225,220
1985 -	Women Business Enterprise Outreach Project	$275,000
	Publication Development	$ 11,000
	Certification Review	$ 10,000
1984 - 1986		
	Operator. Program Management Center	$375,580

OTHER ACTIVITIES

1982 - 1988 DOT Short-Term Lending Program

$881.803, 6.5% participation rate

1982 - 1986 DOT Bonding Assistance Program

5 Final Bonds for $518,345

1988 1 Bid and Performance Bond application

NOTE: All MBRC financial assistance programs are available to WBEs in support of transportation-related contracts.

ENCLOSURE D

Small and Disadvantaged Business Awards in DOT Direct Contracting Program

(Dollars in thousands)

	FY 1984	FY 1985	FY 1986	FY 1987	FY 1988 (6 mo.)
Total Subcontracts Awarded by Prime Prime Contractors -----------------------	313,715	245,526	188,648	203,935	33,360
Subcontracts Awarded to Small Business concerns ---------------------------------	127,347(41%)	98,270(40%)	99,080(53%)	113,097(56%)	29,479(88%)
Subcontracts Awarded to Small Business Concerns Owned and Controlled by Socially and Economically Disadvantaged Individuals ------------------------------	29,905(10%)	29,010(12%)	19,892(11%)	50,491(25%)	15,727(47%)

DEPARTMENT OF THE TREASURY
WASHINGTON

ASSISTANT SECRETARY

RECEIVED
JUN 6 1988
Committee on Small Business

June 1, 1988

Dear Mr. Chairman:

This responds to your letter dated April 19, 1988 which requested information on the Department of the Treasury's programs to support women-owned businesses.

In order to fulfill the requirements of Executive Order 12138, the Department has undertaken a number of initiatives on behalf of women business owners in its procurement, cash management, and bank oversight programs. These initiatives, some of which pre-date the Executive Order, are described in detail in Enclosure (1). That enclosure also includes plans for future initiatives.

The overall success of the procurement initiatives is reflected in the procurement statistics provided in Enclosure (2), which show a steady increase in the number and dollar value of purchase order and prime contract awards to women-owned businesses. We are unable to provide the amount of subcontracting commitments made by large prime contractors, as the Standard Forms 294 and 295, used for reporting subcontract awards, do not require submission of data on subcontract awards to women-owned businesses. While some of the large prime contractors report their women-owned business subcontract awards separately, they are too small a sample to draw any conclusions about the percentage of subcontracts awarded to women-owned firms.

Treasury does not make grants or provide financial assistance or loans. Our cash management programs and programs which relate to providing commercial credit are described in Enclosure (1).

Treasury has a variety of goals and objectives for its programs in law enforcement, taxation and fiscal management. Most of these programs maintain databases which may include information on women-owned businesses. However, the primary purposes of the databases are not related to women's business issues. The databases are used to monitor mission performance and identify areas where new programs should be targeted; therefore, they are constantly being updated and improved.

One of our principal administrative databases is the Treasury Procurement Data System (TDPS), used for monitoring the procurement activities of our bureaus and reporting to the Federal Procurement Data System. This database is the source for our statistics on procurement awards to women-owned businesses. Although the TPDS is adequate, it is being improved to provide more accurate data to the Department and the bureaus.

While we believe that the Department of the Treasury has accomplished much for women-owned businesses since Executive Order 12138 was signed, we recognize that there is always room for improvement in any program. We look forward to the results of your hearings on women's business enterprise.

Sincerely,
John K. Meagher
John K. Meagher
Assistant Secretary
(Legislative Affairs)

The Honorable John J. LaFalce
Chairman
Committee on Small Business
House of Representatives
Washington, D.C. 20515

Enclosures

Department of the Treasury
Initiatives to Promote Women's Business Enterprise

In order to respond to Executive Order 12138, the Department of the Treasury has defined a number of initiatives in its procurement, cash management, and bank oversight programs, which are described below. The success of the procurement initiatives is demonstrated in the consistently increasing percentage of procurement awards to women-owned businesses. Treasury does not operate a grants program or provide financial assistance or loans.

Procurement Initiatives

Procurement Goals

Since fiscal year (FY) 1979, procurement goals for awards to women-owned businesses have been established for the Department and each Treasury bureau. In FY 1979, 0.5% of the Department's total procurements were awarded to women-owned businesses; in FY 1987, 5.9% of the total procurements were awarded to these firms. The goal-setting process has been carried out by the Departmental Office of Procurement and the Office of Small and Disadvantaged Business Utilization (OSDBU) in coordination with the Small Business Administration (SBA).

Contractor Identification

Treasury's Departmental Procurement staff began working with the SBA in 1979 to identify women-owned businesses capable of supplying needed products and services to the Department. This was done through SBA's Procurement Automated Source System (PASS). The Department also provided a list of its women-owned business contractors to the Department of Energy for inclusion in their database.

In FY 1981, Treasury's Office of Procurement used the PASS list of vendors to forward copies of our informational booklet, "Selling to the Department of the Treasury" to known metropolitan Washington women-owned businesses in the commodity and service areas in which Treasury contracts. This provided the local community with information on what and how Treasury and its bureaus purchase commercially. The OSDBU mailed similar information packages to women-owned businesses in the Atlanta, Georgia; San Francisco and Los Angeles, California; Houston, Texas; and Chicago, Illinois areas to help Treasury field offices in those areas identify additional women-owned business sources.

In January 1982, the OSDBU developed a booklet on known women-owned business sources and issued it to all Treasury procurement offices. The rapid improvement of women-owned contractor identification under the PASS database made updating the booklet unnecessary.

In FY 1984, Treasury's OSDBU again obtained SBA's assistance to identify additional women-owned businesses in PASS. This information was provided to Treasury procurement offices and appropriate program officers.

Beginning in FY 1985, Treasury's OSDBU has made a concerted effort to identify women-owned businesses in the SBA 8(a) program. Those firms were, and continue to be, referred to appropriate Treasury bureau procurement and program offices. The OSDBU and Departmental Office of Procurement also have worked closely with Treasury's Office of Information Resources Management to identify qualified 8(a) suppliers of automatic data processing equipment and services.

The OSDBU has also compiled a list of national and regional directories of women-owned companies for use by Treasury's Small Business Specialists and procurement offices, and provided copies of numerous directories of women-owned businesses to these offices.

Counsel and Assistance

Treasury's OSDBU, Departmental Office of Procurement, and bureau Small Business Specialists provide advice and assistance to women-owned business firms needing information on doing business with the Department and its bureaus. The information provided includes copies of "Selling to the Department of the Treasury," and the brochures described below.

Treasury's Departmental Office of Procurement and OSDBU have issued several brochures to assist small, minority and women-owned businesses in their marketing efforts. These include "Marketing Resources," a directory of general information including the names and addresses of Treasury's Small Business Specialists, first published in 1984 and updated at least semi-annually; "What Treasury Buys," a summary of the products and services purchased by the Department during the past five years, first published in 1985 and updated annually; and the "Small Business Subcontracting Directory," a listing of Treasury's major prime contractors with subcontracting programs, first published this year.

Contractor Outreach

In the past, Treasury has mailed copies of its pamphlet "Selling to the Department of the Treasury" to various women-owned businesses, either as a result of a special mailing or as requested by the individual businesses.

Periodically, Treasury's OSDBU meets with and/or addresses various women-owned business trade associations. These have included the Association for Black Women Entrepreneurs and the National Association of Women Business Owners.

The OSDBU included a representative from SBA's Office of Women Business Enterprise in open houses and workshops held during Small Business Week and Minority Enterprise Development Week in 1981, 1982, 1983 and 1984. These workshops were designed to acquaint both Treasury procurement/program officers and vendors on the women-owned business program.

Treasury was an active participant in the planning and conduct of the three MegaMarketplace conferences for women business owners held in 1986 and 1987. Over twenty-five representatives from Treasury's OSDBU, program, and procurement offices served as counselors at the 1986 conference in Washington, D.C.; over thirty representatives from the Department counseled attendees at the Washington, D.C. and Los Angeles, California conferences in 1987.

Advocacy

o Training. Since 1984, the Department's OSDBU has conducted a series of briefings for all procurement officers to emphasize the Department's commitment to increase awards to women-owned businesses and answer questions on the women-owned business program. In 1986, the briefing material was incorporated into a two-day training course on the Department's small business program. This course is required for all Treasury contracting personnel as part of our procurement career development program, and is offered on at least a quarterly basis. The training stresses that at a minimum, a representative number of women-owned businesses should be included in each procurement solicitation list, and that any automated systems should ensure that women-owned businesses can be easily identified.

o PASS Access. Beginning in 1980, the Departmental Office of Procurement and OSDBU used PASS to identify women-owned business sources, and encouraged the Treasury bureaus to obtain direct access to PASS. This effort was largely unsuccessful until 1984, when the first Treasury bureau established a PASS subscription. At the suggestion of Treasury's OSDBU, eight of Treasury's twelve bureaus received training on use of PASS in 1986. Later that year, the OSDBU issued a report to the bureau procurement officers which analyzed various databases for identifying small, disadvantaged and women-owned business sources and recommended that each Treasury bureau subscribe to PASS. Since that time, two more bureaus have subscribed to PASS.

We anticipate that this number will increase, as Treasury's Justification for Other Than Full and Open Competition, required for all procurements over $25,000 that are planned as non-competitive acquisitions, requires the Bureau Small Business Specialist to search the PASS database to identify potential small, minority and women-owned business competitors for the procurement. This search requirement was established in September, 1987.

- o Small and Disadvantaged Business Awards Program. The OSDBU, in conjunction with Treasury's Incentive Awards Committee, developed an annual Small and Disadvantaged Business Utilization Achievement Awards Program. The award, established in 1983, recognizes outstanding efforts by Treasury organizations to support the Department's Small Business Program. One of the criteria for recognition is the organization's performance in achieving women-owned business goals.

- o Interagency Committee on Women's Business Enterprise (IACWBE). The Department has participated in the IACWBE since its inception in 1979. This Committee's numerous accomplishments are being summarized in a separate letter from the Executive Director of the IACWBE. Treasury has been represented by senior officials including the Director of the Office of Revenue Sharing, the Fiscal Assistant Secretary, and the Deputy Assistant Secretary for Departmental Finance and Management. Our current representative is the Acting Assistant Secretary for Management.

Procurement Policy

The Department of the Treasury's policy to ensure that women-owned businesses are provided opportunities to compete for and receive a fair proportion of our procurement awards was first articulated in Treasury Directive 70-06.E, "Socioeconomic Procurement Programs," dated August 1980 and updated in July 1984. The policy was incorporated into Part 1019 of the Treasury Acquisition/Procurement Regulation in March 1986.

During 1985 and 1986, the OSDBU conducted a management review of each Treasury bureau's Small Business Program to ensure that the bureau had established the required internal staffing and procedures to be able to carry out the program. The bureau's women-owned businesses program and awards were analyzed as a part of the review.

The Departmental Office of Procurement, through its ongoing Staff Assistance Visit (SAV) Program, reviews the operations of each bureau procurement office on a biannual cycle to ensure that procurements are being awarded in conformance with established laws, regulations and policies. The bureau's Small Business Program activities are reviewed and analyzed during each SAV.

Cash Management Initiatives

- o Minority Bank Deposit Program (MBDP). Women-owned commercial banks and savings and loan associations are eligible to participate in the MBDP. Under this program established by the Department of the Treasury in 1970, Treasury assists individual MBDP participants to become familiar with Federal agencies' collection and disbursement needs, and to negotiate provision of the banking services necessary to satisfy those needs. Federal agencies are encouraged to develop banking relationships with participating banks. The primary responsibility for developing MBDP policy rests with the Under Secretary of the Treasury for Finance and the Fiscal Assistant Secretary. Day-to-day operations of the MBDP are handled by the Department's Financial Management Service.

Large prime contractors are also encouraged to place their accounts in minority and women-owned financial institutions. Deposits in these institutions may be included in subcontract activity reported on the Standard Form 295.

The number of women-owned banks has declined recently, as women's banks have not been immune from the general problems in the banking industry during the past few years. As a result, the opportunities for placing deposits in women-owned banks have decreased.

o Prompt Payment. Timely payment of vendors is one of the most important ingredients for a mutually beneficial contracting relationship. Treasury has taken a number of actions to ensure that vendors are paid as quickly as possible, consistent with proper cash management practices. The Treasury Financial Manual and the Treasury Acquisition/Procurement Regulation allow contracting officers to negotiate more lenient payment terms for small businesses, including women-owned businesses. In addition, Prompt Payment Officers have been designated in each bureau to assist vendors in resolving payment problems.

Oversight of Financial Institutions

The Comptroller of the Currency (OCC), as the Administrator of National Banks, is responsible for the execution of laws relating to national banks and promulgating rules and regulations governing the operations of approximately 4,900 national and District of Columbia banks. Under the supervision of the Deputy Comptroller for Compliance, OCC's bank examiners conduct compliance reviews of national banks. Since the Equal Credit Opportunity Act (ECOA) and Regulation B, which implements the Act, became effective in 1975, one portion of that review has been to determine banks' compliance with the ECOA. Using a stratified random sampling method, OCC reviews approximately 800 of the national banks annually. If any violations are found, the banks are required to provide OCC with plans for correcting the violation within a specified time period.

OCC also conducts outreach programs through its Office of Customer and Industry Affairs. These programs are geared toward monitoring and outreach to small businesses and small business trade associations, including the National Association of Women Business Owners (NAWBO). The Office has conducted several seminars and routinely attends conferences where banking or other financial issues are the principal topic. The most recent seminar was a Roundtable on Banking Issues in March 1988, which included panel members from NAWBO and the Women's Economic Development Corporation. The program, geared toward financial institutions, included presentations on bank programs that have been successful in meeting the needs of women-owned businesses for credit and capital. A summary of the conference will be published later this year.

Future Initiatives

The Department of the Treasury has planned several activities to promote the women's business enterprise program in the future. These include:

- Participation by the Internal Revenue Service Chicago Regional Office and the U.S. Customs Service National Logistics Center in Indianapolis in the next MegaMarketplace Conference, scheduled for October 1988 in Chicago.
- Expanding the Department's Small and Disadvantaged Business incentive awards program to include separate recognition of the Treasury bureau that awards the highest percentage of contracts and purchase orders to women-owned businesses.
- Revising the Department's Procurement Register form to simplify the process for collecting and retrieving information on business ownership of vendors, including women-owned businesses.
- Reviewing automated Solicitation Mailing Lists to ensure that women-owned businesses can be easily identified for appropriate procurement opportunities.
- Continuing our participation in the Interagency Committee on Women's Business Enterprise.

DEPARTMENT OF THE TREASURY
WOMEN-OWNED SMALL BUSINESS PROGRAM PERFORMANCE

	Women-Owned 8(a) Awards		Women-Owned Total Awards		Total Procurement	Percent Women-Owned
Fiscal Year	Actions	$000	Actions	$000	$000	Awards
1984	3	$7,680	2,164	$13,021	$243,633	5.3%
1985	48	9,275	3,239	18,187	417,705	4.4%
1986	63	12,050	4,922	20,107	388,445	5.2%
1987	243	22,287	6,590	34,082	574,354	5.9%

May 1988

Enclosure (2)

DEPARTMENT OF THE TREASURY
WOMEN-OWNED SMALL BUSINESS PROGRAM PERFORMANCE
SMALL PURCHASE VERSUS CONTRACT AWARDS

Fiscal Year	Women-Owned Small Purchase Awards		Total Small Purchase $000	Percent Women-Owned Awards	Women-Owned Contract Awards		Total Contract $000	Percent Women-Owned Awards
	Actions	$000			Actions	$000		
1984	2,133	$2,585	$72,432	3.6%	31	$10,436	$171,201	6.1%
1985	3,153	2,789	72,861	3.8%	86	15,398	344,844	4.5%
1986	4,828	4,296	108,201	4.0%	94	15,811	280,244	5.6%
1987	6,298	6,655	144,729	4.6%	292	27,427	429,625	6.4%

May 1988

Enclosure (2)

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

JUN 10 1988

Honorable John J. LaFalce
Chairman, Committee on Small Business
House of Representatives
Washington, DC 20515

Dear Mr. Chairman:

Enclosed please find the Agency's responses to the questions which you submitted for the April 26, 1988, hearing by the House Committee on Small Business. Thank you for the opportunity to provide this additional information for the record.

Sincerely,

THOMAS K. TURNAGE
Administrator

Enclosure

"America is #1—Thanks to our Veterans"

QUESTIONS OF THE HONORABLE JOHN J. LAFALCE TO THE HONORABLE THOMAS K. TURNAGE, VETERANS ADMINISTRATION

COMMITTEE ON SMALL BUSINESS

APRIL 26, 1988

QUESTION 1: Executive Order 12138 requires that each Federal department and agency "take appropriate action to facilitate, preserve and strengthen women's business enterprise and to ensure full participation by women in the free enterprise system." Please identify every initiative your agency has undertaken pursuant to this executive order, the impact of the initiative, the office responsible for the initiative, your assessment of the success or failure of each, and your recommendations for future initiatives.

RESPONSE: The Veterans Administration, Office of Small and Disadvantaged Business Utilization, in accordance with Sections 8 and 15 of Public Law 95-507, promotes increased utilization of small and small disadvantaged businesses throughout VA, including women-owned businesses. The Director of this office, actively participates on the Interagency Committee for Women's Business Enterprise. We also attend women-owned business conferences and distribute pamphlets and information concerning VA acquisition opportunities. In June 1987, information packets were sent to national associations with significant women-owned business memberships. We have also developed an outreach letter specifically directed to women in business.

Contract awards to women-owned businesses, most of which were competitive, rose from $15.7 million in Fiscal Year 1980 to $42.9 million in Fiscal Year 1987. The increase in terms of percentage of total procurement has been equally dramatic--from .7 percent in Fiscal Year 1980 to 1.4 percent in Fiscal Year 1987. Since 1980, approximately $238 million worth of contracts have been awarded to women-owned businesses. The Office of Small and Disadvantaged Business Utilization has established a socioeconomic incentive awards program, through which procurement activities will be recognized for special achievements in the small and disadvantaged business program, including the women-owned business program. This initiative and an increased awareness of the effectiveness and success of women-owned businesses should result in increased participation. To further significantly increase awards to women-owned businesses, authority to set aside procurements for these businesses would be required.

QUESTION 2: Please supply the Committee with the following information for each of the last four years:

a. the number, total dollars, and relative percentages such figures represent to all contracts awarded by your agency to women-owned businesses identifying separately awards made pursuant to section 8(a) of the Small Business Act;

b. the efforts made by your agency to ensure that women-owned businesses appear on government bidders lists and are being forwarded solicitation packages for contracting opportunities;

c. total dollar amount of subcontracting commitments made by large prime contractors with your agency and efforts to encourage primes to utilize women-owned small business concerns.

2.

RESPONSE:

a.

FISCAL YEAR	TOTAL DOLLARS AWARDED WOMEN-OWNED BUSINESSES	NUMBER OF ACTIONS	PERCENTAGED OF TOTAL PROCUREMENT
1987	$42,994,000	32,315	1.4
1986	39,018,000	30,315	1.4
1985	52,123,000	31,391	2.1
1984	37,591,000	25,916	1.5

The Veterans Administration has made awards to women-owned business under Section 8(a) of the Small Business Act, however, we do not maintain the statistics requested.

b. Socioeconomic goals for women-owned businesses are established and monitored for each acquisition activity throughout the Veterans Administration. However, the women-owned business program is a best effort initiative. Legally we can not set aside contracts for women-owned businesses. Women-owned businesses are placed on bidders lists, solicited and encouraged to compete.

c. The Veterans Administration does not accumulate data on subcontracting commitments for women-owned businesses. The Veterans Administration, in compliance with the Federal Acquisition Regulation, inserts the clause at 52.219-13, Utilization of Women-Owned Small Business, in solicitations and contracts when the contract amount is expected to exceed the small purchase limitation. This clause encourages the use of women-owned businesses in subcontracting.

QUESTION 3: If your agency makes grants or loans, please supply the following information for each of the last four years:

a. the number, total dollars, and relative percentages such figures represent for all grants and loans made to women-owned businesses;

b. efforts made by your agency to encourage the participation of women in grant and loan programs.

RESPONSE: The Veterans Administration is not authorized to make grants or loans to private industry.

QUESTION 4: If your agency has programs relating to, or regulatory authority over, the provisions of commercial credit, in any form, describe any initiatives undertaken by the agency, or subject to its programmatic or regulatory authority, that are directed toward women business owners or that may be more likely to affect such owners in any significant way. In your response, please detail such program or authority and provide such statistical or other data that may serve to describe the efforts of your agency.

RESPONSE: The VA does not have a credit assistance program directed toward small or women-owned business concerns. Women-owned businesses requesting credit and loan assistance are instructed to contact the Office of Women's Business Ownership, U.S. Small Business Administration.

3.

QUESTION 5: Please list all types of data within the control of your agency regarding women-owned businesses indicating the usage that your agency has for such data, the sufficiency of the data, its reliability and any improvements in data collection, retrieval or usage planned or desired by the agency to better assist its efforts in this area.

RESPONSE: Acquisition data regarding women-owned businesses are collected and reported on the Federal Procurement Data System, which is mandatory upon all agencies. This information is used to monitor socioeconomic goal attainment and identify acquisition activities eligible for the socioeconomic incentive awards program. We believe this information is reliable and no improvements in data collection for women-owned business information is planned.

rma THE ROBERT MORRIS ASSOCIATES
1616 PHILADELPHIA NATIONAL BANK BUILDING • PHILADELPHIA, PA. • 19107 • (215) 665-2850
ESTABLISHED 1914 • THE NATIONAL ASSOCIATION OF BANK LOAN AND CREDIT OFFICERS

NATIONAL OFFICE

May 5, 1988

The Honorable John J. LaFalce
Chairman, Committee on Small Business
U.S. House of Representatives
2361 Rayburn House Office Building
Washington, DC 20515

Dear Mr. Chairman:

Enclosed is a statement on behalf of the members of Robert Morris Associates. We request it be made part of the record of the hearings on women's business issues being held by the Committee on Small Business. The statement concerns access to credit and, more specifically, certain proposed amendments in pending bills. These amendments would require the Federal Reserve to reconsider its treatment of business credit under the Equal Credit Opportunity Act in accordance with the procedures specified in the bills.

Sincerely,

William H. Sayre
President, Robert Morris Associates

/dcl

Statement

Submitted by

THE ROBERT MORRIS ASSOCIATES*

to the

Committee on Small Business

of the

House of Representatives

on

Women's Business Issues--Access to Credit

May 10, 1988

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* Founded in 1914, RMA has grown to more than 3,000 commercial banks and thrift institutions, which account for 85% of the C&I lending done by these types of U.S. financial institutions. These institutions are represented in the association by almost 15,000 commercial loan and credit officers and related personnel in all 50 states, Puerto Rico, Canada, and several offshore cities.

The battle for access to credit is ancient in origin and is likely to go on indefinitely. Credit is essential for economic activity. And bankers learned hundreds of years ago that, if given a choice, most people prefer to put someone else's money at risk rather than their own. So there is never enough credit.

That is why there are over 35,000 credit-granting financial institutions. That is why there are hundreds of federal and state credit agencies and credit guarantee programs and that is why there are endless disputes over the appropriate growth in the money supply. Politicians have always been aware of the importance of credit to their constituents and have used their political skills and power to try to obtain a "fair advantage" for them in the credit markets.

Constituent Credit

Regional

Those seeking access to credit join a long line of groups and individuals who similarly have pleaded for special treatment in the past. The dual chartering system for financial institutions is an outgrowth of battles for access to and control of credit. Regions and states were competing with one another for economic development and the credit needed to fuel that development. Reflecting state concern about credit availability, bank charters granted by state legislators often required credit to be allocated by counties within the state.

In like fashion, when the national banking system was established during the Civil War, the law required the Comptroller of the Currency to distribute national bank notes among the states in accordance with economic activity and population. When the Federal Reserve System was created, concern over the availability and distribution of credit and the fear of centralized credit control dictated its structure of 12 banks, not 1, and a Federal Reserve Board with severely limited powers.

Sectors

Guaranteeing access to credit has been done for various sectors of the economy as well as for regions. Agriculture and housing are two primary examples. We have created a massive farm credit and housing infrastructure consisting of government guarantees and subsidies, government agencies, and private institutions such as production credit associations and savings and loan associations.

In this regard, Special Analysis F of the Budget of the U.S. for Fiscal Year 1989 prepared by OMB, and the February 1988 U.S.

Government Accounting Office Report to the Congress on Loan Asset Sales offered some startling findings:

> The Federal Government is the Nation's largest financial intermediary. At the end of 1987, it held loans with a face value of $234 billion in its direct loan portfolio, which was 75 percent larger than the loan assets of the largest commercial bank in the United States. The Federal Government also had guaranteed loans with an outstanding balance of $507 billion at the end of 1987. Government-sponsored enterprises had an additional $581 billion of loans outstanding at the end of the year. Thus, directly or indirectly, the Federal Government had influenced the allocation of $1.3 trillion of outstanding credit to farmers, homeowners, small businesses, exporters, utilities, shipbuilders, and State, local, and foreign governments.

The $234 billion in direct loans was held by 29 agencies under more than 110 federal direct loan programs. In addition, the more than $500 billion of guaranteed loan balances were managed through about 35 loan guarantee programs under the supervision of 21 of the agencies. Thus, a vast array of credit facilities exists to guarantee access to credit by various sectors of the American economy.

Individuals

Access to credit for individuals has been made easier or has been guaranteed in many ways. The chartering of credit unions with an exemption from taxes encouraged the growth of consumer credit. VA and FHA insurance programs made it possible for individuals to get housing credit. And various programs such as SBA direct and guaranteed loans have been enacted to help individuals start and operate businesses.

One of the major efforts to assure access to credit by individuals was the enactment of the Equal Credit Opportunity Act.

The Equal Credit Opportunity Act

The purpose of the Equal Credit Opportunity Act is to promote availability of credit to all creditworthy applicants without regard to race, color, religion, national origin, sex, marital status, age, or public assistance use. Creditor practices that discriminate on the basis of any of these factors are prohibited.

Business Credit

Business credit and loans are covered by ECOA and Regulation B to the same extent as consumer loans with just three limited exceptions that recognize crucial basic differences between the two. Lenders are subject to all the limitations having to do with an evaluation of an applicant's creditworthiness. No class of transactions is exempt from ECOA or Regulation B.

The limited exceptions that have been made for business credit are directly related to practical distinctions between consumer and business credit. The differences deal with notification when credit is denied, record retention, and inquiries about marital status.

Notification. Under Regulation B, a consumer applicant has the right to be given notice of a denial of an application for credit. So does a business applicant. A consumer applicant has the right also to receive a statement of the reasons for denial. So does a business applicant. A consumer applicant has the right, upon request, to receive a written statement of the reasons for denial. So does a business applicant.

The one minor difference is that a consumer receives a written statement of the reasons, or of the right to request the reasons, automatically. A business applicant does not. A business applicant must make a request for the reasons within 30 days after receiving oral or written notification of a denial of credit.

The difference is based on sound principles. Close personal contact between the business applicant and the loan officer is a crucial part of the business credit process. Loan officers often advise and assist the applicant in preparing the necessary papers, including business plans. Loan officers are trained to work with the applicant to find a way of making, not declining, a loan and structuring the loan package properly. Problems, concerns, and alternatives are normally discussed during the evaluation, not after a decision has been made. So, in most cases, the applicant has a fairly clear perception of where the decision is headed. In a business credit transaction, an applicant invariably learns the reason for a denial. The process for a business credit application is more complex than that for a consumer credit application. This very process obviates the need for the automatic statement given to consumer applicants.

Record Retention. Lenders are required to retain business records for only 90 days, not for 25 months as required in consumer credit transactions. If requested in writing, however, the lender is required to retain the records for the full 25 months. Record retention for the longer period is not automatically required because the documentation for business credit applications can be voluminous. The documentation may include business projections, financial statements, copies of income tax returns, itemizations and descriptions of collateral, certificates of incorporation, partnership agreements, and invoices, among others. Since this documentation is costly for the applicant to produce, it is often returned to the applicant.

The storage and handling costs involved with retaining all such materials for 25 months would certainly add to the cost of the loan. Not only might the borrowers end up paying a higher interest rate because of the additional costs to the bank, but also the borrower's own costs of trying to get a loan would be increased. Usually applicants apply to more than one bank when seeking a loan. If banks are required to keep the documentation, the borrower will not be able to use the same materials elsewhere.

Marital Status. In consumer credit transactions, creditors are prohibited by Regulation B from asking about marital status in applications for unsecured credit but may ask about marital status for secured credit to determine the interest of a spouse under state law. Most business credit is secured by either business or personal assets which are usually in the name of both spouses. Thus, business credit applicants may be asked about marital status whether the credit is secured or unsecured.

The credit and lending market of the financial services industry and the credit and lending culture of commercial banking have changed drastically since ECOA was enacted, thereby making discrimination a self-defeating practice

The market for business credit has changed drastically since ECOA was enacted. Foreign banks have captured a significant share of the big business market, and commercial paper has become widely used as a substitute for commercial loans. Domestic banks that had concentrated or preferred making loans to major businesses adjusted by turning to the middle market where medium and small businesses are served. Quite a few began specializing in loans to small businesses.

In addition to competition from foreign banks, commercial banks are now facing competition from thrift institutions which were granted commercial lending powers by Congress. Moreover, credit unions are getting into the act. The point is that the number of lenders granting business credit has increased substantially and competition for quality business applicants has never been keener. The number of sources of business credit is greater than ever. While there may be vestiges of shortsighted discrimination within a few individual institutions, the system as a whole has become very sensitive to the goals of ECOA. Competition has added its force to regulation.

The fundamental problem facing banks today is not so much rationing a short supply of credit to borrowers but of meeting competition in credit markets where there is an oversupply of loanable funds and where the pressure for earnings demands great vigilance on the part of bankers to avoid taking excessive risk.

Bankers today are searching for good credits whether they are large or small, regardless of where a business is located within the market area and without regard to the sex of the borrowers.

Evidence of these changes is found in the fact that 3.2 million businesses in the country today are owned by women and two out of three businesses are started by women, according to a study made by the Department of Commerce. These women are getting business credit.

Commercial Banking Culture

The changes within the credit-granting culture of commercial banks have been just as drastic as those in the financial services market. ECOA and competition have combined to beat down whatever discrimination might have once existed.

Women in Banking. The changes in the banking culture have been dramatic, according to data reported to the Equal Employment Opportunity Commission and released by the American Bankers Association. During 1985, more than 44% of all officials and managers and approximately 53% of all professionals in the top 50 banks were women. In 1975, women comprised 26% of officials and managers and 31.7% of professional jobs in the top 50 banks. Many of these women are involved with the lending function. It seems unlikely that they would condone business credit practices that discriminated on the basis of sex. Moreover, it would be incredibly inconsistent for banks to make such great strides in eliminating employment discrimination against women, while maintaining a policy of credit discrimination.

Anecdotal Testimony

Despite the changes mentioned above, women witnesses continue to give anecdotal testimony of credit discrimination based on sex.

Differences in philosophy among lenders may be a source for such anecdotal testimony. A former president of Robert Morris Associates, Patrick L. Flinn, has pointed out that "there are bankers who are not comfortable unless they have hard assets as collateral." In addition to a concern with collateral value and cash flow as sources of repayment, bankers look for management experience and depth, a proven track record, and adequate capitalization of the given business. Anyone starting a new business naturally has a more difficult burden establishing creditworthiness. They generally have no track record, and the rate of failures among new businesses is high. The business may be undercapitalized, and the owners may lack management ability.

The fact that two out of three new businesses are started by women may be relevant to the continued flow of anecdotal testimony given by women witnesses of credit discrimination based on sex. Most of the businesses formed and operated by women are service businesses in which there are few hard assets. A lack of collateral support combined with the weaknesses demonstrated by many new businesses may more correctly be the basis for the turndown of the loan request.

Lack of familiarity with the commercial loan process may be another reason for perceived discrimination. Commercial borrowers are required to provide more extensive documentation for a loan request than consumer credit applicants. Sometimes this is seen as being discriminatory when it is actually a realistic recognition of the difference between the two types of loans.

Women witnesses who give anecdotal testimony of credit discrimination based on sex appear not to be aware of the rights and remedies already available under the Equal Credit Opportunity Act to those denied business credit. In the case of denial or other adverse action, the applicant may request in writing the reasons for denial within 30 days. Rather than conclude discrimination on the basis of sex, a request for the reasons behind the denial would clearly reveal the basis for the decision that was made.

Venture Capital

Women are new entrants into the business loan market. They are forming businesses at a hectic pace. If they don't have savings, they need capital from elsewhere. But banks are not in the business of supplying venture capital. Indeed, appropriate standards of creditworthiness preclude banks from providing venture capital in the guise of a commercial loan.

Psychological Factors

Like most entrepreneurs, women who start businesses are highly motivated. They are out to prove something other than that they can make money. Their dreams and hopes are involved. There are many obstacles to overcome. It is understandable that, like others, they get irritated for being denied credit. It is an affront to them. It is a blow to them personally. Good loan officers understand this. Contrary to popular belief, they do not enjoy turning down a loan application. Perhaps there is more that bankers can do to help their women customers and some of the women's advocacy groups better understand the commercial lending function. But given the complexity of the commercial loan decision process, any necessary one-on-one explanations about a rejected loan application should be left to the customer and the loan officer.

Education

Many of the erroneous perceptions can be changed by educating women and minority borrowers of their rights. The Federal Reserve has made a major effort to do this with the publication and distribution of a pamphlet entitled "A Guide to Business Credit and the Equal Credit Opportunity Act." The pamphlet explains the rights of business borrowers and provides advice on how to apply for a business loan.

Pending Bills

While these hearings are not concerned specifically with the pending bills that would amend the Equal Credit Opportunity Act to require the Federal Reserve to reconsider the business credit exceptions, it is appropriate that we address those bills since they have been proposed as remedies for problems women allegedly have in gaining access to credit. Among the bills are H.R. 1897 and H.R. 2577.

There are three major provisions in the bills:

(1) The Board of Governors of the Federal Reserve System is directed to hold public hearings in accordance with the Administrative Procedure Act (APA) as a precondition to determining whether any exception in the business credit area would be granted or continued. Under existing law, the Board makes such determinations within the rulemaking requirements of the APA, which vests the Board (and all other government agencies) with discretion on whether public hearings will be held.

(2) Any exception granted by the Board for business credit would terminate after five years and could be extended only after a second public hearing. There is no comparable "sunset" provision in the current law.

(3) The Board would be limited to making exceptions only in the area of business or commercial transactions. At present, there are exceptions for securities credit, public utility credit, and incidental credit.

Public Hearings

It has been our experience in dealing with proposed amendments to Regulation B, Equal Credit Opportunity, that the process used by the Board is a fair and efficient method of gathering information and opinions. Proposed rule changes are published in the Federal Register for written comments from anyone. The same opportunity is available to everyone at the least cost. Public hearings are valuable and often necessary. But they usually involve travel and subsistence expenses not involved in the written comment process. The less formal process of written comments may provide a better opportunity for more people to express opinions than would public hearings.

Sunset

The section of the bill that would terminate any business credit exceptions after five years forces the Federal Reserve to reevaluate such exceptions every five years. That is a procedure currently followed under the Board's Regulatory Improvement Project, a program calling for the review of regulations every five years. Moreover, the Regulatory Flexibility Act already requires federal agencies to make a periodic review of all regulations.

Limits on Exceptions

While the bill would continue to authorize the Board to make exceptions for business credit, it appears to take away the Board's authority to grant exceptions for other types of purpose credit. While we believe the Board has demonstrated responsibility and responsiveness in creating exceptions, we have no comment to make on the other types of purpose credit.

Opposition

Robert Morris Associates is opposed to the bills for the following reasons:

- Business credit and loans are covered by ECOA and Regulation B to the same extent as consumer loans with just three limited exceptions that recognize crucial, basic differences between business and consumer loans.
- The credit and lending market of the financial services industry and the credit and lending culture of commercial banking have changed drastically since ECOA was enacted, thereby making discrimination a self-defeating practice.
- In practice, the Federal Reserve is already doing basically what the bill would require it to do, so enactment would be redundant and unnecessary. The issues raised in this area often are complex and the modest amount of flexibility the Federal Reserve currently enjoys in administering existing law is important for effective regulation.
- The proposed bills would do absolutely nothing to make more credit available to women.

The first two reasons have been discussed more fully earlier so further discussion will be limited to the last two concerns.

In practice, the Federal Reserve is already doing basically what the bill would require it to do, so enactment would be redundant and unnecessary

The Board has demonstrated its sensitivity and responsiveness to complaints about the exceptions for business credit by reconsidering the exceptions more often than the bill would require. In 1975 when Regulation B was adopted and in 1976 when it was revised, the rules applicable to business credit received extensive consideration. Again in 1978, changes in the business credit exceptions were reviewed at the request of the President's Interagency Task Force on Women Business Owners. And in 1983 and 1985, the exceptions were reconsidered once more. Public comment was received on each occasion. Each time the Board noted that little or no evidence of discrimination had been presented and that the exceptions "...continued to appropriately recognize differences between the manner in which business credit and consumer credit dealings are conducted."

It would be wasteful to require the Board to once again reconsider the business credit exceptions since it undertook a detailed investigation of the issue in 1985 and reconsidered the matter within the last 18 months. It would mean the Federal Reserve would once again have to devote resources to a task it has considered many times. It would mean we would have to devote resources to following and participating in the process to recognize the concerns of our members--a task we have performed each time the Fed has considered the exceptions.

The bills will do absolutely nothing to make more credit available to women

Even if advocates of the proposed amendments could provide evidence to support the need for the amendments, their enactment would not achieve the goal of making more credit available. It would simply take credit away from someone else, or, a more probable outcome would be to increase the cost and decrease the supply of credit to the marginal borrower.

We believe women's business credit needs are being met satisfactorily by the banks. Banks should not be asked to change their credit standards to allocate credit to a special group. Furthermore, it should be recognized that although a turndown of a credit request may be painful in the short run, it may be quite beneficial to the applicant in the long run. Granting a loan request for an activity which the banker, based on a careful assessment of the proposal, feels is doomed to failure surely is not doing the applicant a favor.

Conclusion

Before closing we want to repeat that business credit lenders are subject to all the limitations having to do with an evaluation of an applicant's creditworthiness. There is no substantial evidence that women are being discriminated against. Quite the contrary. We feel banks are serving their women customers very well. Legislation is not needed. It would be duplicative and wasteful and ultimately could prove to be detrimental to the very interests it seeks to promote.